

No. 10936

United States
Circuit Court of Appeals
For the Ninth Circuit.

GEORGE S. GAYLORD,

Petitioner,

vs.

COMMISSIONER OF INTERNAL REVENUE,

Respondent.

GERTRUDE H. GAYLORD,

Petitioner,

vs.

COMMISSIONER OF INTERNAL REVENUE,

Respondent.

Transcript of the Record
In Two Volumes
VOLUME II
Pages 305 to 579

Upon Petitions to Review Decisions of the Tax Court
of the United States

FILED

FEB 23 1945

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Upon Petitions to Review Decisions of the Tax Court
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[Title of Circuit Court of Appeals and Cause.]

NOTICE OF FILING OF PETITION FOR RE-
VIEW OF DECISION OF THE TAX
COURT OF THE UNITED STATES

To: Commissioner of Internal Revenue,
Internal Revenue Building,
Washington D. C.

And To:

J. P. Wenchel, Chief Counsel,
Bureau of Internal Revenue,
Internal Revenue Building,
Washington, D. C.;

B. H. Neblett, Division Counsel,
Bureau of Internal Revenue;

Earl C. Crouter and

B. M. Coon,
Special Attorneys,
Bureau of Internal Revenue;
Attorneys for said Commissioner.

You, And Each Of You, Are Hereby Notified that George S. Gaylord, the above named petitioner, did on the day of October, 1944, file with the Clerk of The Tax Court of the United States, at Washington, D. C., a petition for review by [275] the United States Circuit Court of Appeals for the Ninth Circuit of the decision of said tax court heretofore rendered in the above entitled cause. A copy of said petition as filed is hereto attached and served upon you.

Dated: This day of October, 1944.

THOMAS A. J. DOCKWEILER

whose post office address is 1035 I. N. Van Nuys
Building, 210 West Seventh Street, Los An-
geles 14, California.

JAMES W. BONTEMS C.P.A.

whose post office address is 215 West Sixth Street,
Los Angeles 14, California.

Attorneys for said petitioner
George S. Gaylord

Personal service of the foregoing notice of filing
and of a copy of the petition for review therein re-
ferred to is hereby acknowledged this 11th day of
October, 1944.

J. P. WENCHEL.

Chief Counsel, Bureau of In-
ternal Revenue;

B. H. NEBLETT,

Division Counsel, Bureau of
Internal Revenue.

EARL C. CROUTER and

B. M. COON,

Special Attorneys, Bureau of
Internal Revenue.

[Signed] J. P. WENCHEL. CAR.

Attorneys for said Commis-
sioner

[Endorsed]: T.C.U.S. Filed Oct. 11, 1944. [276]

[Title of Circuit Court of Appeals and Cause.]

PETITION FOR REVIEW OF DECISION OF
THE TAX COURT OF THE UNITED STATES

To The Honorable United States Circuit Court of
Appeals for the Ninth Circuit and the Judges
thereof:

Comes now your petitioner Gertrude H. Gaylord (hereinafter called petitioner or Mrs. Gaylord), by Thomas A. J. Dockweiler and James W. Bontems, her attorneys, and files with the clerk of the Tax Court of the United States her petition for review of the decision of The Tax Court of the United States and the Honorable Bolon B. Turner, a judge of said court, entered July 14, 1944, hereinafter referred to, and respectfully shows:

I.

COURT IN WHICH REVIEW IS SOUGHT
AND JURISDICTION

This is a proceeding for review by the United States Circuit Court of Appeals for the Ninth Circuit of a decision [277] of The Tax Court of the United States entered July 14, 1944, determining against petitioner a deficiency in her income taxes of \$1,087.10 for the taxable year 1936, of \$4,922.60 for the taxable year 1937 and of \$1,998.19 for the taxable year 1939. Petitioner is an individual and is now and at all times since prior to the year 1936 has been a resident of the City of Pasadena, in the County of Los Angeles, in the State of California.

The respondent herein (hereinafter called Commissioner) is the duly appointed, qualified and acting Commissioner of Internal Revenue appointed and holding his office by virtue of the laws of the United States of America. Petitioner filed with the Collector of Internal Revenue for the Sixth District of California, at Los Angeles, California, her individual returns of the income taxes in respect of which the aforementioned deficiency was so determined by The Tax Court of the United States. Said district and the office of said Collector of Internal Revenue are located within the jurisdiction of the United States Circuit Court of Appeals for the Ninth Circuit. Jurisdiction of said United States Circuit Court of Appeals for the Ninth Circuit to review the above referred to decision of The Tax Court of the United States is provided for in Sections 1100, 1141 and 1142 of the United States Internal Revenue Code.

II.

PRIOR PROCEEDINGS

On September 17, 1941, Commissioner mailed to petitioner [278] a notice of deficiency in which Commissioner advised petitioner that the determination of her income liability for the taxable years 1936 to 1939, inclusive, disclosed a deficiency of \$8,043.63, or \$1,087.40 for 1936, \$4,925.01 for 1937, \$32.51 for 1938 and \$1998.71 for 1939. On November 26, 1941, petitioner filed with the United States Board of Tax Appeals (now The Tax Court of the United States) her verified petition for a redetermination of such deficiency. Commissioner

filed with said Board his answer to said petition on January 2, 1942. On September 17, 1941, Commissioner also mailed to George S. Gaylord, petitioner's husband (hereinafter referred to as Mr. Gaylord) a notice of deficiency in which Commissioner advised him that the determination of his income tax liability for the taxable years 1936 to 1939, inclusive, disclosed a deficiency of \$32,380.50, or \$9,650.54 for 1936, \$9656.84 for 1937, \$6746.10 for 1938 and \$6327.02 for 1939. On November 10, 1941, he filed with said Board his verified petition for a redetermination of such deficiency; to which petition Commissioner filed his answer on December 9, 1941. As the issues of fact and law involved in the case made by Mr. Gaylord's petition and Commissioner's answer thereto included, inter alia, the same issues of fact and law (except for differences in total amounts of money or value concerned) as those arising from Mrs. Gaylord's said petition and Commissioner's answers thereto, said Court consolidated the two cases for hearing and they were heard together by said Tax Court, the Honorable Bolon B. Turner, a judge thereof presiding, on April 2 and 3, 1943, at Los Angeles, California. On [279] February 18, 1944, that court, by said judge, promulgated its findings of fact and opinion deciding against Mr. and Mrs. Gaylord the issues of fact and law now brought up by Mrs. Gaylord in this petition for review. Though they moved for reconsideration by said Tax Court of its determination, so announced, that (1) the income for

the years 1936 through 1939 of the hereinafter referred to trust was taxable to Mr. and Mrs. Gaylord and (2) the basis for computing gain on certain stock sales by them and said trust during said years was less than the value claimed by the taxpayers, which motion was filed with said court March 17, 1944, it denied such motion March 18, 1944. The hereinbefore stated decision of which review is now sought followed on July 14, 1944. The controversy involved in this review concerns only a part of the issues which were before said Tax Court in those proceedings.

III.

NATURE OF THE CONTROVERSY

The nature of the controversy involved in this proceeding for review, stated as briefly as its factual background permits, is as follows:

There are two principal questions, which are the same as those presented in petitioner's above mentioned motion for reconsideration: (A) Was said trust at any time during the years 1936 through 1939 revocable by the trustors thereof, Mr. and Mrs. Gaylord, or either of them, and hence the trust income for those years taxable to them, and (B) what was the basis for computing gain on certain stock sales made by Mr. and Mrs. Gaylord and said trust during said years? [280]

A. Question of Revocability of the Trust.

In the year 1935, prior to the execution and acknowledgment of the declaration of trust dated November 7, 1935, hereinafter referred to, it was

agreed between Mr. and Mrs. Gaylord that if he would contribute to an irrevocable trust to be created for the uses and purposes and upon the terms and conditions set forth in such declaration 5000 shares of Marathon Paper Mills Company common stock owned by him as his separate property, such shares to be a part of the trust estate to be provided for in such trust, she would contribute to such trust as a part of such trust estate in trust for the same uses and purposes and upon the same terms and conditions 2000 additional shares of such stock owned by her as her separate property, and, reciprocally, that if she would make such contribution he would make such contribution of 5000 shares. Accordingly they instructed their attorney to prepare a declaration of trust for such an irrevocable trust. He thereupon prepared a declaration of trust dated November 7, 1935, which Mr. and Mrs. Gaylord signed about December 11, 1935. On that day they acknowledged before a notary public in Los Angeles County, California, its execution and left it in the attorney's custody, where it remained until the above mentioned hearing before said Tax Court. Pursuant to their precedent agreement Mr. Gaylord contributed his 5000 and Mrs. Gaylord her 2000 shares of Marathon Paper Mills common stock to such trust in the year 1935. Both of them in creating said trust (hereinafter referred to as the trust) proposed, intended and understood that they were creating an irrevocable trust of that stock and its proceeds [281] for

the uses and purposes and upon the terms and conditions set forth in said declaration and that neither they nor either of them had any power to revoke such trust or to make any change therein. In connection with their execution of said declaration their said attorney advised them that the trust was irrevocable. Upon acquisition for the trust by its trustees, with proceeds of sale of certain of the stock thus contributed, of real property in the jurisdictions hereinafter named, said declaration was recorded in 1937 in the office of the County Recorder of Los Angeles County, California, and in 1938 in the respective offices of the clerks of the county courts of Cameron, Hidalgo, Potter and Jim Wells Counties, Texas. For such Texas recordings there was an additional acknowledgment of execution of said declaration by Mr. and Mrs. Gaylord and certification thereon of such acknowledgment in Texas form on January 6, 1938, before the same notary.

In said declaration of trust Mr. and Mrs. Gaylord (who are therein called "trustee") declared that they hold and will hold said 7000 shares in trust for the uses and purposes and upon the terms and conditions set forth in said declaration, whose salient provisions may be summarized as follows: The trustee (this designation also including all successors in the trusteeship of the trust) shall, during the existence of the trust, take charge of and possess, manage and control all of said shares and all principal proceeds thereof and investments and reinvestments thereof and property substituted for

any of said stock, proceeds, investments or reinvestments (all of which [282] are referred to in said declaration as the "trust estate"), collect the income of the trust estate, and invest the trust estate in such manner as the trustee may deem advisable, and for or in connection with any of the aforesaid purposes or any purpose of the trust to sell or otherwise dispose of the trust estate upon such terms and for such consideration as the trustee may deem advisable. From the gross income of the trust estate or, if it be necessary, from the trust estate, the trustee shall pay taxes on the trust estate and may also pay reasonable costs, expenses, charges and liabilities necessarily expended or incurred by the trustee in connection with the collection, care, administration, management or distribution of the trust estate or income thereof and also, if the trustee is a corporation or person or persons other than Mr. or Mrs. Gaylord, reasonable fees or compensation for the services of the trustee in the administration of said trust. The entire net income received from the trust estate and available for distribution shall be distributed by the trustee, either monthly, quarterly or semi-annually as the circumstances and conditions of the trust estate will most conveniently permit, but in any event annually, to Margaret Gaylord Ruppel (hereinafter referred to as Mrs. Ruppel) and Gertrude Gaylord (hereinafter referred to as Mrs. Bruce), who are the daughters of Mr. and Mrs. Gaylord, and the survivor of said daughters, share and share alike, while both are

living. In the event of the death of either of them leaving lawful issue then such issue, so long as it shall continue to live during the existence of the trust, shall be [283] entitled by right of representation to the share of such net income which the daughter so dying would have been entitled to if she had continued to live. The trust shall ipso facto terminate upon the attainment of the age of thirty years by Mrs. Bruce or her death prior thereto. Upon such termination all of the trust estate then in the possession or control of the trustee as the same then exists shall immediately vest in and be delivered by the trustee to said two daughters or the survivor of them living at the time of such termination, share and share alike, if both of them shall then be living. However in the event of the death of either of them prior to such termination leaving her surviving at the time of such termination lawful issue then the share of the trust estate she would have taken if she had been living at such termination shall upon such termination immediately vest in and be delivered by the trustee to such lawful issue by right of representation. If upon the termination of the trust there shall then be living neither of said daughters nor any lawful issue of them, then upon such termination the trust estate shall vest in and be delivered to Mrs. Gaylord. Every beneficiary of the trust is restrained from in any manner anticipating, encumbering or alienating any right, interest or estate in principal or income of the trust. In distributing principal of the trust estate the trustee shall determine the method

or procedure to be followed and shall execute all instruments necessary to confirm in the distributee title and possession to principal distributed. Invalidity of any provision of the trust, if [284] ever decreed by a court of competent jurisdiction, shall not vitiate such as are valid. Mr. and Mrs. Gaylord, or either of them, can, with the trustee's written consent, add other property to the trust estate for the same uses and purposes and upon the same terms and conditions set forth in said declaration. Mr. and Mrs. Gaylord, or either of them, can resign at any time as trustee of the trust. Upon death or such resignation of either Mr. or Mrs. Gaylord the other of them shall act as the trustee with all rights, powers, authorities, discretions and exemptions provided for the original trustees of the trust. Mr. Gaylord or in absence of any such appointment by him, Mrs. Gaylord, shall have the right to appoint successor trustee or trustees of the trust in case neither Mr. or Mrs. Gaylord is acting as trustee. In the event neither of them is so acting and there is no such appointment The Northern Trust Company, of Chicago, Illinois, and any successor or assign of it shall ipso facto succeed as trustee of the trust. Finally, no security shall ever be required of the trustee for the performance of any duty or trust under said declaration. Though said declaration contained no statement that it was irrevocable, no right to change or revoke the trust was reserved.

In connection with the creation of the trust and

as a part of the same transaction Mr. and Mrs. Gaylord each personally signed and under date of February 3, 1936, executed under oath a gift tax return for the calendar year 1935, which was filed in the office of the Collector of Internal Revenue at Los Angeles, California, March 10, 1936. Mr. Gaylord's said [285] return included his contribution to the trust of his 5000 shares of Marathon Paper Mills common stock mentioned in said declaration of trust, and Mrs. Gaylord's said return covered her 2000 shares of such stock appearing in said declaration of trust. In each such return specific reference was made to the trust and it was expressly declared that the "gift" represented by the declarant's aforesaid contribution to the trust was made "By the creation of an irrevocable trust for the benefit of another." The only trust to which reference was made in said gift tax returns was the trust provided for in said declaration of trust dated November 7, 1935. There was no other trust then in existence. All entries in said returns are in Mr. Gaylord's own handwriting. Mr. Gaylord upon so filing his said return paid a gift tax shown thereon in the amount of \$2,531.27 and later under date of December 28, 1936, paid to said collector an additional tax of \$90.05 assessed on said return. No part of any gift tax so paid was ever refunded to Mr. Gaylord. Because of exemptions and exclusions no gift tax was payable by Mrs. Gaylord on her said return.

In the beginning of the year 1940, long before any question was raised as to the revocability or

irrevocability of the trust, Mr. and Mrs. Gaylord, upon advice of counsel and out of an abundance of caution, signed and executed a certain Declaration Being A Part Of A Certain Declaration Of Trust Dated November 7, 1935, which was dated November 7, 1935, and acknowledged and sworn to by them under date of March 27, 1940, before a notary public in Los Angeles County, California, and [286] recorded in the office of the county recorder of that county March 28, 1940. In this instrument, after referring to said declaration of trust dated November 7, 1935, hereinbefore summarized, Mr. and Mrs. Gaylord declare that the trust provided for in said declaration was always intended and is intended by them to be and is and shall always be absolutely irrevocable and that such further declaration is and is intended to be and shall always be a part of and taken with and construed as a part of said declaration of trust the same as though it had been physically incorporated in said declaration of trust.

Of the two first named beneficiaries of the trust, Mrs. Ruppel was born November 10, 1904, and Mrs. Bruce May 31, 1916. Both of them are living and each of them has lawful issue living. Mrs. Ruppel, by a first marriage, had two children, Barbara Brunker, born October 14, 1925, and Robert Henry Brunker, born June 3, 1928, both still living. Mrs. Bruce married May 29, 1937, and has as issue thereof a daughter Ann Bruce, born in April, 1938, and still living.

The above mentioned 7000 shares of Marathon Paper Mills common stock referred to in said declaration of trust dated November 7, 1935, were subsequently sold by Mr. and Mrs. Gaylord as trustees of the trust as follows: 4000 in the year 1936, 1600 in the year 1937, 1000 in the year 1938, and the remaining 400 in the year 1939. Such sales were shown in the fiduciary returns of the trust's income for those years by Mr. and Mrs. Gaylord as such trustees.

Until so sold the certificates for such shares were [287] kept in a safe deposit box in the State of California under the name of the trustees of said trust. All of said 7000 shares were so sold and delivered upon sale either in Chicago, Illinois, or the City of New York, New York. It was only in Chicago or New York that sales of such shares were made by said trustees. All such sales were made for cash, all of which was deposited by said trustees in the Harris Trust & Savings Bank in Chicago, Illinois.

The funds of the trust in the years 1936, 1937 and 1938 were kept on deposit in the names of said trustees as such trustees with said Harris Trust & Savings Bank in Chicago, Illinois. In the years 1939, 1940 and 1941 all of the bank accounts of the trust were kept with that bank and with Bankers Trust Company in said City of New York.

During the year 1938 over \$94,000.00 of the proceeds of sales of Marathon Paper Mills stock belonging to the trust theretofore made was invested by Mr. and Mrs. Gaylord as trustees of the trust

in, and by way of purchase for the trust of, certain improved income producing real properties in the State of Texas, such properties being located in the cities of Amarillo, Alice, McAllen and Harlingen in that state. The title to such property so purchased was taken in the name of Mr. and Mrs. Gaylord as such trustees. Said real property ever since has been owned and held by the trustees of the trust for the benefit of the trust and its beneficiaries.

All of the rents belonging to the trust received by its trustees from the above mentioned real property in the State [288] of Texas in the years 1938 and 1939 were included in the fiduciary returns by said trustees of the income of the trust for said years. The net rents from said real property so included amounted to \$3,859.95 for the year 1938 and \$6,370.67 for the year 1939.

Each of the two beneficiaries of the trust, Mrs. Ruppel and Mrs. Bruce, who were then entitled to all of the net income thereof in equal shares between them, included in her individual income tax return for each of the years 1936, 1937, 1938 and 1939 her one-half share of the net income of the trust for that year as shown by the fiduciary return of the trustees of the trust for that year, including her share of the net income of the trust from the rents from said Texas real property, and paid to the Collector of Internal Revenue at Los Angeles, California, with whom all of said individual and fiduciary returns were filed, income tax on her one-half of the net income of the trust. Such income

included her share of the taxable capital gain, as shown on said fiduciary returns, on the above mentioned sales in the years 1936 to 1939, inclusive, of the 7000 shares of Marathon Paper Mills Company common stock belonging to the trust.

On the foregoing facts respondent Commissioner determined and contended before The Tax Court of the United States that the trust was revocable by Mr. and Mrs. Gaylord, or either of them, at all times during the years 1936 through 1939 and, consequently, under the provisions of Section 22(a) and/or Section 166 of the Revenue Acts of 1936 and 1938 and/or the same sections of the Internal Revenue Code, all of the net [289] income of the trust for those years, which in those years had been distributed by the trustees of the trust to the beneficiaries thereof, Mrs. Ruppel and Mrs. Bruce, constituted income of Mr. and Mrs. Gaylord in the relative proportions of their respective contributions to the trust, that is, two-sevenths to Mrs. Gaylord, because she had contributed 2000 of the 7000 shares of Marathon Paper Mills Company stock to the trust, and five-sevenths to Mr. Gaylord, because he had contributed the other 5000 shares of such 7000 shares forming the original corpus of the trust, and that, accordingly, petitioner Mrs. Gaylord was chargeable for the year 1936 with \$12,516.36 of the trust's net income, for the year 1937 with \$9,449.31 of the trust's net income and for the year 1939 with \$7,201.17 of the trust's net income. On the contrary, petitioner contended to the Commissioner, and before said court, and now main-

tains that the trust has always been and is irrevocable and that none of the income thereof was ever taxable to her.

B. Question as to Basis for Computing Gain on Stock Sales.

In addition to the sales made by the trustees of the trust in the years 1936 through 1939 of Marathon Paper Mills Company stock belonging to it, petitioner sold in 1937 2100 shares of such stock then owned by her as her separate property and in 1939 500 shares of such stock similarly owned by her. The 2000 shares of said stock contributed by Mrs. Gaylord to the trust in 1935 had been received by her as a gift from Mr. Gaylord in 1930 and the 2600 shares of said stock sold by her as her own property in the years 1937 and [290] 1939 had likewise been given to her by Mr. Gaylord in February 1932. It is conceded that all of the 7000 shares belonging to the trust and constituting the original corpus thereof and said additional 2600 shares belonging to and so sold by Mrs. Gaylord have the same basis for computing gain on such sales which they had when they belonged to Mr. Gaylord before he gave them to Mrs. Gaylord. These shares have the following history.

On July 1, 1917, Mr. Gaylord was the owner of 337 shares (which purchased at various times in the period from previous to March 1, 1913, to July 1, 1917, had cost him \$34,436.50) and his partner, H. S. Clinedinst (hereinafter referred to as Clinedinst) was the owner of 337 shares of the 726 shares

of common stock of Menasha Carton Company, the remaining 52 shares being owned by other individuals. Clinedinst also owned all of the stock of Menasha Printing Company. The respective places of business of these two companies, Menasha Carton Company and Menasha Printing Company, were across the street from each other in Menasha, Wisconsin. Clinedinst desired to consolidate or merge the assets and businesses conducted by these two corporations into a new corporation with Mr. Gaylord as its manager. For that purpose an agreement was entered into between Clinedinst and Mr. Gaylord for such consolidation or merger (hereinafter referred to as "consolidation") of said two companies, which resulted in the creation of the Menasha Printing and Carton Company. The agreement provided, among other things, that Mr. Gaylord should acquire sufficient of the stock of the new corporation to bring his holdings therein up to 40% of its outstanding stock. [291]

By way of convenience for determining between the stockholders of the Menasha Carton Company and of the Menasha Printing Company the respective proportions of interest of each of such stockholders in the new Menasha Printing and Carton Company (but not the real values involved) going into and resulting from such consolidation, an appraisal was made at the time, by a competent appraisal company, of the tangible assets of the Menasha Carton Company and the Menasha Printing Company and the values shown by such appraisal plus the "quick assets" of the two com-

panies involved was the guage used for determining as between each of the stockholders of these two companies his proportion of interest in the new company.

The consolidation was effected in August, 1917, as of July 1, 1917. In such consolidation Mr. Gaylord received for his above mentioned 337 shares of Menasha Carton Company stock and his promissory note for \$152,161.11 dated August 30, 1917, payable to the order of Clinedinst three years after date with interest at six per cent per annum (which note was paid in full in 1924), 1975 shares of the common and 410 shares of the preferred stock of the new company, Menasha Printing and Carton Company. The par or stated value of said 1975 shares of common and 410 shares of preferred stock was equal (approximately) in amount to said principal sum of said promissory note plus the value of the proportionate part of the tangible assets of the two combined companies as so appraised and their "quick assets", to which Mr. Gaylord's interest in the Menasha Carton Company entitled him. His said 337 shares of that company then had a [292] real and actual value far in excess of that determined by such appraisal of tangible assets plus such "quick assets", which determination was resorted to only for the purpose of fixing the proportion and not the real or actual value of the participation in the new Menasha Printing and Carton Company of the several owners of the two companies which were being con-

solidated into it. For such purpose no account was taken of the goodwill, earning capacity or value as a profitable going concern of either of the two companies which entered into the consolidation. The profits of the Menasha Carton Company for the first seven months of 1917 were \$56,000, and of the Menasha Printing Company for the first six months of 1917, \$187,000, in round figures. The combined profits at the end of 1917 for these two concerns operated separately for the first six months of that year and of the new company for the last six months of that year was \$315,000.00 in round figures. Determination of the value of the stock of the Menasha Carton Company and Menasha Printing Company through capitalization of such current earnings at ten times the amount thereof, a conservative rate, and taking into consideration such goodwill, earning capacity and value of their businesses as profitable going concerns results in a substantially higher value for such stock than that indicated by value of tangible assets and "quick assets" only. Such determination, taking into consideration all of the pertinent factors or elements, including not only value of tangible assets and "quick assets", but as well goodwill, earning capacity and worth as profitable going concern and business, demonstrates [293] a value of at least \$350,000.00 for Mr. Gaylord's said 337 shares of Menasha Carton Company at the time of such consolidation.

In making the consolidation, the appraised value of the physical assets plus book value of the "quick assets" of the Menasha Carton Company was de-

terminated to be \$186,000.00, while the appraised value of the physical assets plus book value of the "quick assets" of the Menasha Printing Company was determined to be \$774,000.00, a total of \$960,000.00. For all of the assets of these two corporations, including goodwill, earning capacity and value as going concerns, the new corporation, Menasha Printing and Carton Company, issued 5000 shares of common and 4600 shares of preferred stock all of the par value of \$100 per share. Of the \$186,000.00, value of tangible and "quick assets" of the Menasha Printing Company, \$86,338.84+ was allocable to Mr. Gaylord's 337 shares of stock of that company. Based on the proportion of \$86,338.84+ to \$774,000.00, Mr. Gaylord was entitled to receive for his 337 shares of Menasha Carton Company stock 449.6815 shares of common and 413.7074 shares of preferred stock of the new corporation. However, for said 337 shares he received 410 shares of the preferred and 453.3889 shares of the common stock of that company. Gaylord purchased in this transaction sufficient additional shares of such common stock to increase his common stock holdings in the new corporation to 1975 shares.

Though the exchange of his 337 shares of Menasha Carton Company stock for stock in the new corporation resulted in taxable gain to him, Mr. Gaylord, through inadvertence and [294] mistake, did not report in his income tax return for 1917 any income on such exchange. In 1922 or 1923 Mr. Gaylord purchased the remaining interest of Cline-

dinst in the Menasha Printing and Carton Company. In the meantime all preferred stock issued in the above referred to 1917 consolidation had been retired. During the interval between such consolidation and October 31, 1927, Mr. Gaylord sold to employees some small lots of his common stock of Menasha Printing and Carton Company. In 1925 he received a 100% stock dividend on the stock of that company he then held. As of date October 31, 1927, he owned and held 3357 shares of such stock.

Of the stock so held, 350 shares had been transferred by Mr. Gaylord in 1925 to his brother C. W. Gaylord for 432 shares of Robert Gaylord, Inc. stock. Thereafter C. W. Gaylord wanting to reacquire said 432 shares of Robert Gaylord, Inc., for use in connection with reorganization of the latter corporation, Mr. Gaylord proposed to sell such shares to C. W. Gaylord for \$300,000.00 but the offer was not accepted and thereafter C. W. Gaylord proposed that the previous exchange of 350 shares of Menasha Printing and Carton Company for the 432 shares of Robert Gaylord, Inc. stock be cancelled and the parties restored to the position they would have been in if the exchange had not been made. This was done and Mr. Gaylord returned to C. W. Gaylord the 432 shares of Robert Gaylord, Inc. stock and received back 352 shares of Menasha Printing and Carton Company stock, each of the parties paying over to the other all dividends received by him on the stock involved in the ex-

change [295] standing in his name during the interval. These exchanges between Mr. Gaylord and C. W. Gaylord were taxable although, through inadvertence and mistake, not considered so by Mr. Gaylord at the time.

On October 31, 1927, Menasha Products Company (such then being the name of Menasha Printing and Carton Company (was merged with Marathon Paper Mills Company. In this tax-free reorganization Mr. Gaylord received 6728 shares of the Marathon Paper Mills Company stock and \$1,038,000.00 in face value of Marathon Paper Mills Company 5% bonds in exchange for his 3357 shares of common stock of Menasha Products Company. In December, 1929, the last mentioned shares were split four shares for one.

As a result of the foregoing history of the Marathon Paper Mills Company stock sold by the trust and Mrs. Gaylord in 1936, 1937 and 1939, gain thereon was computed on a basis of \$8.21 per share and income taxes paid accordingly by Mrs. Gaylord and the beneficiary daughters of said trust.

On the foregoing facts respondent Commissioner determined and contended before The Tax Court of the United States that for the purpose of computing capital gains realized in the years 1936, 1937 and 1939 by Mrs. Gaylord and the trust from the sales of her and its shares of Marathon Paper Mills Company common stock the statutory basis for computing gain on each such sale was \$2.83542 per share and, consequently, as to such sales there was the following additional gains realized: [296]

On sale in 1936 by the trust of 4000 shares, \$21,498.32, of which 30%, or \$6,449.50, is to be taken into account under Section 117(a) of the Revenue Act of 1936;

On sale in 1937 by the trust of 1600 shares, \$8,599.33, of which 30%, or \$2,579.80, is so to be taken into account;

On sale in 1937 by Mrs. Gaylord of 2100 shares, \$11,286.62, of which 30%, or \$3,385.99, is so to be taken into account;

On sale in 1939 by the trust of 400 shares, \$2,149.83, of which 50%, or \$1,074.92, is to be taken into account under Section 117(b) of the Internal Revenue Code; and

On sale in 1939 by Mrs. Gaylord of 500 shares, \$2,687.29, of which 50%, or \$1,343.64, is so to be taken into account.

To the contrary, petitioner contended to the Commissioner, and before said court, and now maintains that the statutory basis for computing gain on each such sale was \$8.21 per share as claimed in her income tax returns and the fiduciary returns of the trust filed for those years.

On her petition for redetermination of said deficiencies said Tax Court held with respect to the subjects and issues involved in this present proceeding for review by the Circuit Court of Appeals of the United States for the Ninth Circuit. [297]

(1) that the trust was revocable during the taxable years 1936 through 1939 and that 2/7ths of

the trust income for those years was taxable to the petitioner, and

(2) that the basis for computing gain on the sales by the petitioner individually and by the trustees of the trust of Marathon Paper Mills Company common stock was \$2.84276 per share instead of \$8.21 per share as claimed by petitioner. Accordingly, said Tax Court determined the deficiencies set forth in Subdivision I of this petition, all of which deficiencies result from said two holdings.

IV.

ASSIGNMENTS OF ERROR

In making its decision as aforesaid The Tax Court of the United States committed errors, upon which petitioner relies as the basis of her proceeding herein, as follows, to-wit:

1. Said court erred in deciding that there is a deficiency of \$1,087.10 or any deficiency in income tax of petitioner for the year 1936;

2. In deciding that there is a deficiency of \$4,922.60 or any deficiency in income tax of petitioner for the year 1937;

3. In deciding that there is a deficiency of \$1,998.19 or any deficiency in income tax of petitioner for the year 1939;

4. In determining that the trust was revocable during the years 1936 through 1939 or at any time in any of said years; [298]

5. In failing to find and decide as a matter of fact and of law that the trust was at all times from

its inception in 1935 an irrevocable trust and that all of the income of the trust which was distributed by the trustees to and received by the beneficiaries of the trust in the years 1936, 1937 and 1939 was income of such beneficiaries and not income of Mr. and Mrs. Gaylord, or either of them;

6. In disregarding the legal effect of the undisputed mutual statement of Mr. and Mrs. Gaylord for the creation by them of the trust as an irrevocable trust;

7. In failing to distinguish between the effect as to Mr. and Mrs. Gaylord themselves of their contract to create the trust and the result thereof as concerns their daughters and their issue, who are the beneficiaries of the trust;

8. In concluding as a matter of law and deciding that the trust was a "voluntary trust" as that phrase is used in Section 2280 of the Civil Code of California, as amended in 1931;

9. In concluding and deciding, contrary to law, that Section 3399 of the California Civil Code has no application to the trust;

10. In disregarding the fact that it was none of the beneficiaries of the trust who were before said court insisting upon application of said Section 3399 but the two contracting parties, the creators of the trust, Mr. and Mrs. Gaylord, both of whom invoked the protection of that section;

11. In failing to apply to the trust Section 1640 [299] of the California Civil Code and Section 3401 of the same code which, with Section 3399 of the

California Civil Code, fully covers the situation of any omission of any express declaration of irrevocability in said declaration of trust dated November 7, 1935;

12. In failing to give effect to the gift tax returns of Mr. and Mrs. Gaylord wherein they referred to and identified the trust as an irrevocable trust;

13. In concluding that estoppel is not an issue in this case and in failing to decide that respondent Commissioner is estopped to claim that the trust was revocable;

14. In disregarding and failing to give effect to undisputed evidence before said court in said declaration of trust and of acts and conduct of the trustees that the trust was intended to be operative under laws of jurisdictions other than California in which other jurisdictions the trust as set forth in said declaration has always been irrevocable;

15. In deciding, contrary to law and to fact, that the \$3,859.95 rent for the year 1938 and the \$6,370.67 rent for the year 1939 of real property in the State of Texas belonging to said trust was income of a revocable trust;

16. In deciding that 2/7ths or any part of the income of the trust for the years 1936, 1937 and 1939, or any of those years, was taxable to petitioner;

17. In deciding that the basis for computing gain on the above referred to sales of Marathon Paper Mills Company common stock was \$2.84276 per share instead of \$8.21 per share [300] claimed

by petitioner, there being no evidence in the record to support any such finding and such finding ignoring the undisputed evidence of real and actual value of the stock of Menasha Carton Company and Menasha Printing Company involved in the exchange resulting in the consolidation of said two corporations in the Menasha Printing and Carton Company;

18. In failing to find and decide that under Section 202(a) of the 1926 Revenue Act the cost to Mr. Gaylord of the 350 shares of Menasha Printing and Carton Company stock which he received from his brother C. W. Gaylord in 1927 in exchange for 432 shares of Robert Gaylord, Inc. was the market or true values of such shares of Menasha Printing and Carton Company in August, 1927;

19. In holding and deciding that the \$152,161.11 paid by Mr. Gaylord to Clinedinst was the cost of 1525 shares of common stock of Menasha Printing and Carton Company received by Mr. Gaylord in the consolidation of Menasha Printing Company and Menasha Carton Company;

20. The decision of said court for which review is here prayed is not supported by the evidence;

21. Said decision is contrary to the evidence; and

22. Said decision is contrary to the law.

Wherefore, your petitioner Gertrude H. Gaylord prays that the United States Circuit Court of Appeals for the Ninth Circuit review the findings of

fact and opinion and the decision of The Tax Court of the United States entered July 14, 1944, determining a deficiency in the income taxes of petitioner for [301] the calendar years 1936, 1937 and 1939, hereinbefore referred to, and reverse and set aside said decision and direct the entry of a decision by The Tax Court of the United States in favor of petitioner determining that there is no deficiency in her income taxes for the said years 1936, 1937 and 1939; that a transcript of the record be prepared in accordance with the law and applicable rules and be transmitted to the Clerk of said Circuit Court of Appeals for filing; and for such other and further relief as to said Court may appear proper in the premises.

THOMAS A. J. DOCKWEILER

JAMES W. BONTEMS, C.P.A.

Attorneys for said Petitioner.

State of California

County of Los Angeles—ss.

Thomas A. J. Dockweiler, being first duly sworn, says: That he is one of the attorneys of record for said petitioner Gertrude H. Gaylord in this proceeding and prepared the foregoing petition and is familiar with the contents thereof; that the statements made therein are true to the best of his knowledge, information and belief; that said petition is not [302] filed for the purpose of delay and that said affiant believes said petitioner is justly entitled to the relief sought.

THOMAS A. J. DOCKWEILER

Subscribed and sworn to before me this 20th day
of September, 1944.

(Notarial Seal) J. F. KINMAN

Notary Public in and for the County of Los An-
geles, State of California.

My Commission Expires August 14, 1946.

[Endorsed]: T.C.U.S. Filed Oct. 11, 1944. [303]

In the United States Circuit Court of Appeals
for the Ninth Circuit

The Tax Court of the
United States

Docket No. 109273

GERTRUDE H. GAYLORD,

Petitioner,

vs.

COMMISSIONER OF INTERNAL REVENUE,

Respondent.

NOTICE OF FILING OF PETITION FOR RE-
VIEW OF DECISION OF THE TAX
COURT OF THE UNITED STATES

To: Commissioner of Internal Revenue,
Internal Revenue Building,
Washington, D. C.

And To:

J. P. Wenchel, Chief Counsel,
Bureau of Internal Revenue,
Internal Revenue Building,
Washington, D. C.;

B. H. Neblett, Division Counsel,
Bureau of Internal Revenue;

Harold D. Thomas and
B. M. Coon, Special Attorneys,
Bureau of Internal Revenue;

Attorneys for said Commissioner.

You, and Each of You, Are Hereby Notified that
Gertrude H. Gaylord, the above named petitioner,

did on the day of October, 1944, file with the Clerk of The Tax Court of the United States, at Washington, D. C., a petition for review by [304] the United States Circuit Court of Appeals for the Ninth Circuit of the decision of said Tax Court heretofore rendered in the above entitled cause. A copy of said petition as filed is hereto attached and served upon you.

Dated: This day of October, 1944.

THOMAS A. J. DOCKWEILER

whose post office address is 1035 I. N. Van Nuys Building, 210 West Seventh Street, Los Angeles 14, California.

JAMES W. BONTEMS, C.P.A.

whose post office address is 215 West Sixth Street, Los Angeles 14, California.

Attorneys for said petitioner
Gertrude H. Gaylord.

Personal service of the foregoing notice of filing and of a copy of the petition for review therein referred to is hereby acknowledged this 11th day of October, 1944.

J. P. WENCHEL,

Chief Counsel,

Bureau of Internal Revenue;

B. H. NEBLETT,

Division Counsel,

Bureau of Internal Revenue;

HAROLD D. THOMAS and

B. M. COON,

Special Attorneys,

Bureau of Internal Revenue.

(Signed) J. P. WENCHEL, CAR.

Attorneys for said Commis-
sioner

[Endorsed]: T.C.U.S. Filed Oct. 11, 1944. [305]

In the United States Circuit Court of Appeals
for the Ninth Circuit

The Tax Court of the
United States

Docket No. 109138

GEORGE S. GAYLORD,

Petitioner,

vs.

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

The Tax Court of the
United States

Docket No. 109273

GERTRUDE H. GAYLORD,

Petitioner,

vs.

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

STATEMENT OF EVIDENCE

The Tax Court of the United States having con-

solidated for hearing the two causes above referred to, the same came on for hearing and were heard together by said Tax Court before the Honorable Bolon B. Turner, a judge thereof presiding, on April 2 and 3, 1943, at Los Angeles. Thomas A. J. Dockweiler, Esquire, and James W. Bontems, C.P.A. appeared on behalf of the above named petitioners George S. Gaylord and Gertrude H. Gaylord, and Byram M. Coon, Esquire, for the Honorable J. P. Wenchel, Chief Counsel, Bureau of Internal Revenue, appeared on behalf of the respondent [306] Commissioner of Internal Revenue. Thereupon the following proceedings were had and evidence taken, so far as the same pertain to or concern any of the issues involved in the petitions of said George S. Gaylord and Gertrude H. Gaylord filed in said Tax Court October 11, 1944 for review of the decisions of said Tax Court and said Honorable Bolon B. Turner, a judge of said court, entered July 14, 1944, in the matter of the respective appeals of said George S. Gaylord and Gertrude H. Gaylord so heard, to wit:

EVIDENCE ON BEHALF OF THE PETITIONERS

GEORGE S. GAYLORD,

being called as a witness by and on behalf of the petitioners, having been first duly sworn, was examined and testified as follows:

Direct Examination

By Mr. Dockweiler:

Witness: I am the George S. Gaylord who is

(Testimony of George S. Gaylord.)

petitioner in this matter. The petitioner Gertrude H. Gaylord is my wife. She was my wife at all times herein mentioned.

I have seen before the instrument now shown me entitled "Declaration of Trust", a first impression in typewriting, bearing date November 7, 1935, and purporting to be signed by George S. Gaylord and Gertrude H. Gaylord, and bearing certificate of acknowledgment of the execution of the same by George S. Gaylord and Gertrude H. Gaylord on December 11, 1935, before J. C. Humphreys, a notary public in and for the County of Los Angeles, State of California, and also bearing a subsequent certificate [307] of acknowledgment, dated the 6th day of January, 1938, by George S. Gaylord and Gertrude H. Gaylord, in the Texas form, and also bearing a certificate by the County Clerk of this County, dated the 21st day of January, 1938 to the notarial certification of J. C. Humphreys, dated January 6, 1938, which instrument bears several recording stamps and certifications on the covers thereof. This is the instrument of trust created by myself and my wife on the date as indicated, the 7th day of November, 1935. The trust is dated the 7th day of November, 1935, and acknowledged on the 11th day of December of the same year. Exhibit B is my and Mrs. Gaylord's petitions in this matter, purporting to set forth a copy of the declaration of trust with all its endorsements, is a true and correct copy of the instrument which

(Testimony of George S. Gaylord.)

now lies before me on the witness stand and to which I have just testified.

The circumstances which led to the execution of that instrument are as follows: My wife and I agreed together some time previous to September, 1935, that we would form a trust for our children. And if she were willing to give 2,000 shares of the Marthon Paper Mills common stock, of which she was the owner, I would give 5,000 shares of the same stock to form this trust for our children, and in case of their death, for their children forever, and our instructions to our attorney here present were——

Mr. Coon: Your Honor please, I object to what appears to be the testimony about to be given as to what his oral instructions were to his attorney at the time of the execution of [308] the trust instrument. We have here the instrument itself, which speaks for itself, and any conversations between him and his attorney I object to as incompetent, and irrelevant.

Mr. Dockweiler: I will call your Honor's attention to the circumstance that it is always permissible, under the law of the State of California, to show the true consideration for any transaction. The instrument itself recites no consideration. Our position is that we have the right to show that this trust arose from a donor's agreement, that there was consideration moving to each of the trustors for the execution of this declaration of trust, and that this trust being an owner's trust,

(Testimony of George S. Gaylord.)

under the decision in what is known as the Touli case, construing the very section that has been referred to by counsel for the Government in his opening statement, it is held that a trust executed for consideration is not within the provisions in any case of that section.

That is the case, your Honor, of——

Mr. Coon: I have the case here open, if you want to refer to it.

Mr. Dockweiler: I have the reference to the California citation here. That is the case of Touli vs. Santa Cruz County Title Company, decided in 1937, reported in the 20 California Appellate, Second Series Reports, 495, and a discussion of the construction of this section is found on page 497. The section of the Code that is referred to speaks of a voluntary trust.

In the Touli case the Court said, in speaking of that very Section 2280, as amended,—— [309]

The Judge: Is that the 1931 statute?

Mr. Dockweiler: The amendment was in 1931.

The Judge: All right.

Mr. Dockweiler: This decision was in 1937, and the question was raised in the Touli case as to the construction of that amendment:

“Webster's New International Dictionary under the heading ‘voluntary-law’ gives this definition: ‘Acting, or done, of one's own free will without valuable consideration, acting, or done, without any present legal obligation to do the thing done.’ It was in the latter sense

(Testimony of George S. Gaylord.)

that the word 'voluntary' was used in the amended section, otherwise it would not have been coupled with the word 'revocable' without reservation."

That is from page 497. The following quotation is from the decision of the Court:

"It must follow, therefore, that when Section 2280 was drafted to permit the revocation of a 'voluntary' trust, that expression was not used in the broad sense found in Section 2216, but in the restricted sense of a trust created freely and without a valuable consideration or legal obligation."

That decision, incidentally, is the only one in the State of California found construing the term "voluntary trust" appearing in Section 2280, and for the further information of the Court and on which I stand to be corrected if I am [310] wrong, that section is the only place in all of the statutory law of the United States where is to be found a provision for revocation such as is there mentioned. The statute in California is an odd thing, and in argument I shall show that the construction of the Court is quite logical under the circumstances. Furthermore, it is the plain rule in California, and this is a matter of our again going back to our Civil Code, Section 1640:

"When, through fraud, mistake, or accident, a written contract fails to express the real intention of the parties, such intention is to be

(Testimony of George S. Gaylord.)

regarded, and the erroneous parts of the writing disregarded.”

In *Harding vs. Robinson*, in 175 *California*, on pages 541 to 542, after quoting this section of the Code, 1640, the Court said:

“In this it is to be noted that the mistake arises from a failure of the contract to express the real understanding and agreement of all parties to it. That failure may arise through fraud, but this character of fraud is not fraud perpetrated to induce the contract but a fraud whereby the terms as agreed upon by the parties are suppressed or misrepresented precisely as they may be omitted or misstated by error or oversight called in that section ‘mistake or accident’.”

“*** mutuality of the mistake, that the minds of the contracting parties met, that they agreed [311] upon a certain thing which was to have been embodied in their contract, and that by a mistake it was either fraudulently or inadvertently omitted.”

I might further call your Honor’s attention to the circumstances that in the case of *Rottman vs. Hevener*, in the 54 *California Appellate* 474, on page 478, and that definitely again referred to this provision of the Civil Code, in the course of the decision it was stated:

“It is not claimed that by reason of fraud, accident, or mistake, there was any failure to

(Testimony of George S. Gaylord.)

cause the written instrument to express the intention of either of the parties.”

And as a consequence they applied the parol evidence rule.

These cases that deal with the inapplicability of the parol evidence rule is wherever there is evidence that there is one intention of the parties and another expressed in the instrument, and these California cases which construe the Civil Code, to which I call your Honor’s attention: *Estes vs. Delpech*, 73 California Appellate 643, on pages 646 and 647. These two cases, *Rottman vs. Hevener* and *Estes vs. Delpech*, emphasize the exception to the parol evidence rule of mutual mistake.

Then there is Section 3399 of our Civil Code. I am citing these, your Honor, to show our right to go into this matter:

“When through *** a mutual mistake of the [312] parties *** a written contract does not truly express the intention of the parties, it may be revised, on the application of a party aggrieved, so as to express that intention, so far as it can be done without prejudice to rights acquired by third persons. in good faith and for value.”

And the provisions of Section 3401 of the same Code:

“In revising a written instrument, the Court may inquire what the instrument was intended to mean, and what were intended to be its le-

(Testimony of George S. Gaylord.)

gal consequences, and is not confined to the inquiry what the language of the instrument was intended to be."

Then there is the principle spoken of in *Gardner vs. California Guaranty Company*, in 1902, in 137 California, page 71, that reformation or revision does not proceed upon the theory of a written contract or modified by extraneous parol testimony, but upon the theory that equity will conform a written contract which fails to express the intention of the parties to the actual one entered into by them.

Where there is a basis for a revision on the ground of—

The Judge: What are you reading from now?

Mr. Dockweiler: I am making a statement now, and I am going to give you the citations for it.

Where there is a basis for a revision on the ground of mutual mistake, which we contend existed here if a mistake was made—and this is simply out of an abundance of caution, because I think the rest of the record will show there is enough [313] in the acts of these parties and in the instruments signed by them to meet all of the requirements of the code section relative to the creation of an irrevocable trust, but even then I contend this, and I am giving you this out of an abundance of caution, because if the Court should hold that, contrary to the California law, on the facts as they stand, that this is a revocable trust looking at the bare statute, that is, the bare words of the Civil Code, speaking of the circumstances when a

(Testimony of George S. Gaylord.)

trust may be revoked, then, of course, there are the other circumstances that must be taken into consideration in holding to the contrary. The parties themselves without resort to court may reform the contract in accordance with their original intentions and if so reformed it speaks as of its original date.

That is from the case of *Ward v. Waterman*, 1890, 85 Cal., 488.

That matter is referred to also in 22 California Jurisprudence, page 748, and in 53 Corpus Juris, at page 1055, and I believe in the Restatement of the Law of Trusts that subject matter is treated of in Chapter 10, termination and modification of a trust, in the American Law Institute's Restatement of the Law of Trusts, with which your Honor is familiar as being probably the most recent expression, by common consent, of what the common law is, and in this State, as your Honor well knows, the common law is the rule of procedure in all those cases not specifically provided for. I am reading from Section 332 that appears in that same Chapter 10:

“If a trust is created by a written instrument and the [314] settlor intended to reserve a power of revocation but by mistake omitted to insert in the instrument a provision reserving such a power, he can have the instrument reformed and can revoke the trust.”

Then there is a similar statement:

“If a trust is created by a written instrument and the settlor intended to reserve a power to

(Testimony of George S. Gaylord.)

modify the trust but by mistake omitted to insert in the instrument a provision reserving such a power, he can have the instrument reformed and can modify the trust."

Then there is the further statement which appears—and I might explain that this is in the Restatement of the Law of Trusts, and it is definitely stated, in accordance with what is the common law of the United States, that, reading Section 330:

"The settlor has power to revoke the trust if and to the extent that by the terms of the trust he reserved such a power.

"(2) Except as stated in paragraphs 332 and 333"—those are the sections that relate to revocation and modification, and omission by mistake, and the section that states that a trust can be rescinded or reformed upon the same grounds upon which a transfer of property not in trust can be rescinded or reformed—"the settlor cannot revoke the trust if by the terms of the trust he did not reserve a power of revocation."

Incidentally, that is the law of Texas. I don't think there will be any dispute about that, because Texas hasn't modified the common law, and that is the law of every state in the Union except in a very limited sense in California, and at the [315] time this trust was drafted, and this is what we expect to show, both parties intended an irrevocable trust. Their attorney was so instructed and the attorney drafted what he thought—but which proved

(Testimony of George S. Gaylord.)

to be erroneous—was in form an irrevocable trust, and since it was an irrevocable trust, in fact, despite the form, they have no right to modify, no right at any time to revoke the trust after that date in November or December of 1935 when the trust was so executed. In other words, the parol evidence rule does not apply here because this involves the recognized exception of the California cases, and the cases I cited bear that out, of a mutual mistake, and I could also cite the code section on consideration, which is the exception that is always made to statements in a written instrument in California. I don't think there is any dispute but that the weighted opinion is that the true consideration or lack of consideration or the character of consideration can always be shown, irrespective of what the trust itself pretends to show.

The Judge: Who are the parties here, Mr. Dockweiler?

Mr. Dockweiler: The parties here are Mr. Gaylord and Mrs. Gaylord, as the trustors and trustees, and the beneficiaries to that trust.

The Judge: I am not speaking of the beneficiaries. Are there any parties involved other than the two petitioners, the trustees?

Mr. Dockweiler: They declared themselves as trustees. There are no other parties involved. [316]

The Judge: Mr. Coon, do you have any comments you want to make before I rule?

Mr. Coon: Just this, your Honor: The Touli case, brought to your attention by counsel for the tax-

(Testimony of George S. Gaylord.)

payers, was apparently the only California case which attempted to construe Section 2280 of the Civil Code. It dealt with a trust that was given in connection with a mortgage note, and because of that security nature of the trust and the obligation of the trustor to protect his indebtedness, it was held that the trust there was not revocable in the circumstances of the case. What the Judge quoted from Webster's Dictionary as to what is voluntary and involuntary, and all that sort of thing, it seems to me is rather trite. It doesn't describe nor does it throw any great light on the question that was in the case as to whether or not the trust, outside of the very circumstances of the case, could be irrevocable when it didn't say that it was irrevocable. It dealt with a contractual situation.

The Judge: Inasmuch as I can't absorb in a hearing the trust instrument in all of its terms, the facts will have to be determined from what I hear here and what I get out of the documentary evidence and the relationship between the two. I shall overrule the objection.

I am going to say this for the benefit of counsel and the parties and the witnesses involved: There are certain facts that will have to be gleaned from the evidence, as indicated, oral and documentary, and I trust that you both fully appreciate that you have decidedly a family proposition, and that is very [317] closely within the family, namely, a matter between a husband and wife and themselves in two capacities, and there is also this further, this

(Testimony of George S. Gaylord.)

human frailty, that we all must recognize, that the further we get away from the happening of the event, the more nearly we say what we should have liked the thing to have been at the time, and we can imagine and appreciate and think that they were as we now would like them to be. That is human, and regardless of how much we strive, it happens to all of us.

I make that statement because I am going to ask not only counsel, but the witnesses here, and particularly the parties in this case, to be very careful in your statements and to limit yourselves in so nearly as it is humanly possible, to things that were there at the time these acts occurred, and not to things that you may now by relation back wish had been there, because I am going to have the difficult task of weighing and sifting your words and statements, and to determine if on a study of this instrument I find that I have to take into consideration those matters, in order to determine the true facts, and where you have a husband and wife dealing with themselves in family matters, it is well recognized that that is an extremely difficult proposition, and that is why the courts, from the lowest to the highest, have declared the policy that those transactions are to be most carefully and closely scrutinized.

Now, we ave that situation, and to get at the actual facts which did occur and the things that did occur at the time back in 1935, when their trust was set up, is hard and difficult, and I am asking all of you to be very careful, because it is not easy. [318]

(Testimony of George S. Gaylord.)

The objection is overruled, and the question may be answered.

Mr. Coon: If your Honor please, for the purpose of the record and our protection, I would like an exception noted.

The Judge: The record may show the exception.

The Witness: Am I supposed to go ahead?

The Judge: You may proceed with your answer.

The Witness: Well, bearing carefully your Honor's words in mind, those instructions to our attorney here present were to form an irrevocable trust, and as I believe I stated, to give this property to our children forever. The trust instrument, the declaration of trust, was thereupon prepared by our attorney and presented to me and Mrs. Gaylord. It was the instrument which I have identified when I first reached the stand, first came to the stand, and it is the instrument which is set forth, a true copy of which is set forth as Exhibit B to my and Mrs. Gaylord's petitions in this matter. I and Mrs. Gaylord signed that instrument about the date that it bears in acknowledgment, the date of acknowledgment being December 11, 1935. Mrs. Gaylord was present with me at that time, and that acknowledgment was made before J. C. Humphreys, a notary public in and for this county, before Miss J. C. Humphreys, who is a notary in my attorney's office. Subsequent to that execution of the declaration of trust, to which I have just testified, it was left with my attorney, who has retained the custody of that trust this entire period.

We caused this declaration of trust to be recorded

(Testimony of George S. Gaylord.)

in [319] the office of the County Recorder of this county on September 23, 1937, in Book 15288, page 94. There were transactions in that year which brought about the recordation of the instrument in this county. We bought real property that year located in the City of Santa Monica, in the County of Los Angeles, and I believe also in the City of Alhambra, in the County of Los Angeles. This instrument was recorded in connection with the first of those purchases. We caused this instrument to be recorded in, I believe, four separate counties in the State of Texas in connection with real property bought in Amarillo, Alice, McAllen and Harlingen, all in the State of Texas, those being towns in the State of Texas. The character of that real property was income bearing property; stores. All of it was improved property at the time we acquired it. The title or interest in the property was acquired by me and Mrs. Gaylord, as trustees, in varying degrees or proportions in each property. That is, in some cases they bought the whole property. In other cases they brought only a portion of it. In some cases we, as trustees, bought the whole property, and in other cases only a portion of it. In the case of the McAllen property, the trustees bought the whole piece. In the case of Alice, Texas, they bought the whole. In the case of Harlingen, the trustees bought a half interest and my wife bought the other half interest. In the case of Amarillo, Texas, the trustees bought a one-third interest, my wife bought a one-third interest, and I bought a one-third interest. That was

(Testimony of George S. Gaylord.)

in the year 1938. The rents received from those real properties were included in [320] the income tax returns, the fiduciary returns of the trust, and my individual and Mrs. Gaylord's individual tax returns, and the individual tax returns of our two daughters.

Our daughters are Margaret G. Ruppel, the "G" standing for Gaylord, Margaret Gaylord Ruppel, and Gertrude Gaylord Bruce. Our daughter Margaret was born November 10th, 1904, and my younger daughter Gertrude Gaylord Bruce was born May 31st, 1916. Both of these daughters are now married. Margaret married first. She is the wife of Frederick Ruppel. She was married at first to Albert Brunker in 1923. There was a divorce. Two children were born by that first husband, her present two living children. Those children are named Barbara Brunker and Robert Henry Brunker. I can give you their ages. Barbara is now 17 years of age, and her birthday is on October 14th. Robert Brunker's age is 15, and his birthday is on June 4th. Both of these children are still living. Subsequent to this daughter Margaret divorcing Mr. Bunker, she married Frederick Ruppel in 1931 and she has ever since been the wife of Frederick Ruppel, and he is still living. Our daughter Gertrude is married. Eugene L. Bruce is her husband. She married him May 29, 1937. She has one child, Ann Bruce. Ann will be five years old in April, 1943, and she is still living.

Q. Now, at the time this declaration of trust was so signed and acknowledged by you and Mrs. Gay-

(Testimony of George S. Gaylord.)

lord, did you or she, so far as you know, have any idea that you had any right to revoke or change or modify it in any way at any time whatsoever? [321]

A. Absolutely none.

Q. What, if anything, did your attorney advise you and Mrs. Gaylord in connection with the execution of this trust?

A. That it was an irrevocable trust.

Q. Was any mention made of any right to modify it or change it in any manner?

A. None.

Q. Or to alter the terms of the trust?

A. No suggestion of a suggestion.

Q. Subsequent to the declaration of the trust being so executed and acknowledged, there was a fresh acknowledgment or a second acknowledgment of it, which appears in the certificate dated January 6, 1938, before the same notary. Do you remember the purpose for which that acknowledgment was made, the form of the acknowledgment being different from the California form?

A. For the State of Texas, to conform to the laws of the State of Texas, if my memory serves me right.

That was in connection with the first recordings of this declaration of trust in the State of Texas, that I have testified to.

The 7,000 shares that were a part of the trust res, the 5,000 contributed to the trust by myself and the 2,000 contributed by Mrs. Gaylord, were subsequently sold, starting in 1936, and I believe the last

(Testimony of George S. Gaylord.)

was sold in 1938, possibly a small lot in 1939. I can't remember exactly. They were sold in the years 1936, 1937 and 1938, and possibly a small lot in [322] 1939. The certificates for the stock that was sold were kept until their sale in the State of California in a safety deposit box under the name of the trustees, myself and my wife, as trustees, until we commenced to sell them, when from time to time we sent portions of the stock to the Harris Trust and Savings Bank for convenience of delivery upon sale, all of which sales took place, of the entire 7,000 shares, in the City of Chicago, Illinois, and the City of New York, New York. The stocks were sold for cash. Every dollar of it was deposited in the Harris Trust and Savings Bank at Chicago, Illinois. Later a deposit was made in the Bankers Trust Company in New York, but not a proceed of the sale of the stock directly. Those were other funds of the trust.

I have lived in California since 1926. That was the first of my permanent residence here. I did not establish residence in this state at that time; not until 1930 or 1931. I have a little yellow slip that I received upon my applying for membership, but I think it was in 1930 or '31.

Q. You came to California then as a permanent resident in 1930, or '31. although you had visited here in 1926?

A. No. We bought a house and occupied it in 1926.

At that time our residence was in Illinois. I was commuting between California and Wisconsin and

(Testimony of George S. Gaylord.)

Illinois. I had business interests back there. I was vice-president of the Marathon Paper Mills and president of the Menasha Products Company, the successor company of the Menasha Printing & Carton Company. I gave up my office the 1st day of January, 1937, and [323] since then I have not had anything to do with the company, except as a stockholder.

Subsequent to the execution of that declaration of trust in November and December of 1935, I and Mrs. Gaylord made a gift tax return involving those 7,000 shares. We made a gift tax return in February of the year following, covering the gift to the trust, and as a part of that transaction I at that time was making out my own tax return. However, subsequently I have discontinued that. That particular return was made in my own handwriting. Mrs. Gaylord's return was made out about the same time. I have seen the original of the photographic or photostatic copy now shown to me of what appears to be a gift tax return for the calendar year 1935, with the name of the donor, George S. Gaylord, 639 Rosemont Avenue, Pasadena, California, citizenship U.S.A., residence above, which is under a certification by the Secretary of the Treasury, by direction of the Secretary of the Treasury, F. A. Birgfeld, Chief Clerk, Treasury Department, dated April 30, 1941, stating that it was a true copy of the gift tax return, Form 709, with attached schedule of George S. Gaylord, 639 Rosemont Avenue, Pasadena, California (donor), in the year 1935. This is in my own

(Testimony of George S. Gaylord.)

handwriting; was in my own handwriting. The answer "Yes" following the statement "Have you (the donor), during the calendar year indicated above, without an adequate and full consideration in money or money's worth, made any transfer exceeding \$5,000 in value (or regardless of value if a future interest) as follows? (Answer 'Yes' or 'No')" and the answer "Yes" following the [324] question: "1. By the creation of an irrevocable trust for the benefit of another", is written in my handwriting. The word "No" following the statement "(2) By making additions to an irrevocable trust previously created for the benefit of another" is in my handwriting.

Q. And is this (indicating) your signature?

A. That is my signature, a copy of my signature.

That was subscribed by me on February 3, 1936, before Alice F. Jackson, a notary public in and for Los Angeles County, California.

On the second page of that return the words "5,000 shares of common stock of Marathon Paper Mills Co. of Wausau, Wis. to a trust for benefit of Margaret G. Ruppel and Gertrude Gaylord, my daughters. Nov. 7, 1935. \$125,000" following the printed words "Description of gift, motive, donee's name and address, and relationship to donor", "Date of Gift", and "Value at Date of Gift" are all in my handwriting, this is all a copy of my handwriting. The rest of the handwriting that appears there is all in my handwriting. There was a tax on the face of it in my handwriting of \$2,531.27. The original

(Testimony of George S. Gaylord.)

of that return I sent with the check to the Collector of Internal Revenue, Los Angeles, California, and the check was for the amount of \$2,531.27. The check was never returned. The return was never returned. That is the last I have ever seen of the original return.

Q. Now, at the time that you made this return, which bears a filing stamp, "Received—filed March 10, 1936, estate [325] tax," and which bears a notarial certificate or jurat, dated February 3, 1936, was there in existence any other trust of any other kind to which you were a party? A. No.

Q. Or to which you had contributed?

A. No.

Q. Other than the trust created by the declaration of trust dated November 7, 1935, to which you have heretofore testified? Was that the only trust in existence?

A. That was the only trust which was in existence so far as I was concerned.

Q. And that was the trust you referred to in the question which you answered in connection with, "By the creation of an irrevocable trust for the benefit of another"? A. It was.

Mr. Dockweiler: At this time we would like to introduce into evidence as petitioner's first exhibit the original Declaration of Trust with the notarial certificates appearing thereon, the certificate of the Clerk of this county to the notary, which also appears on the declaration at the place where the acknowledgment in Texas form appears, and also the va-

(Testimony of George S. Gaylord.)

rious endorsements by the recording officers of Los Angeles County and the several Texas counties.

Is there any objection to that?

Mr. Coon: No objection, your Honor.

The Judge: The documents so referred to will be received as Exhibit No. 1. [326]

(Said Declaration of Trust was marked as Petitioners' Exhibit No. 1, and received in evidence.)

Mr. Dockweiler: I would like to have the privilege at the end of the proceeding to have this withdrawn if it is found by your inspection that we have set forth as Exhibit B in our petition what is a full and true copy.

Mr. Coon: That is agreeable to me, your Honor, if it is to you. I don't know how clear the exhibit to the petition is in your Honor's file.

The Judge: Well, I have the original, I suppose.

Mr. Coon: I just want an opportunity to have some one from our office and Mr. Dockweiler's office to see that inadvertently no line or page might have been left out. Those things can happen unintentionally.

Mr. Dockweiler: I might explain, Mr. Coon, that that was very carefully compared. But there is always that chance. When I say "carefully compared," the exhibits in the petition were carefully compared with the original documents, but in order that there be no possibility of any error, of course, we are entirely agreeable to that.

(Testimony of George S. Gaylord.)

Mr. Coon: If your Honor please, I can arrange to make a comparison while you are here.

The Judge: All right. That may be done.

Mr. Dockweiler: That I understand was petitioners' Exhibit No. 1?

Mr. Coon: No. 1, yes. [327]

By Mr. Dockweiler:

Q. Then, I understand, Mr. Gaylord, that the only trust that you referred to in your gift tax return, to which you have just testified, was the trust provided for in Petitioners' Exhibit No. 1?

A. Correct; it is.

Mr. Dockweiler: At this time we ask to have introduced in evidence as Petitioners' Exhibit No. 2, the certified copy of the gift tax return to which the witness has just testified.

Mr. Coon: No objection, your Honor.

The Judge: Without objection, it is received as Petitioners' Exhibit 2.

(Said gift tax return was marked as Petitioners' Exhibit No. 2, and received in evidence.)

Mr. Coon: There is no objection. As I understand the purpose for which the offer was made, there is no objection as to authenticity, but if the idea is that a gift tax or payment of a gift tax is material to this case, I object on that ground as to immateriality and irrelevancy. I take it, though, your Honor, that counsel is offering these exhibits because of the statements made therein by Mr. Gaylord in reference to the trust.

United States



of America

TREASURY DEPARTMENT

WASHINGTON

APR 30 1944

UNITED STATES Code (Section 882 of the Revised Statutes of the United States).
 I hereby certify that the annexed is a true copy of the gift tax return,
 Form 7, with attached schedule, of George S. Baylord, 639 Rosemont Avenue,
 Pasadena, California (donor), for the year 1935,

on file in this Department.

THE TAX COURT OF THE U. S.	
FILED 7	DOCKETED 109273
APR 2 - 1943	
PETITIONER'S	EXHIBIT 2
RESPONDENT'S	

IN WITNESS WHEREOF, I have hereunto set my hand,
 and caused the seal of the Treasury Department to be
 affixed, on the day and year first above written.

By direction of the Secretary of the Treasury:

W. A. Birgefeld,
 Chief Clerk, Treasury Department

GIFT TAX RETURN

CALENDAR YEAR 1935

(TO BE FILED IN DUPLICATE UNDER THE PROVISIONS OF THE GIFT TAX ACT OF 1932, AS AMENDED)

RECEIVED

NAME OF DONOR GEORGE S. GAYLORD
ADDRESS 639 Railroad Ave Pasadena Calif
CITIZENSHIP U.S.A
RESIDENCE above **2580**

Have you (the donor), during the calendar year indicated above, without an adequate and full consideration in money or money's worth, made any transfer exceeding \$5,000 in value (or regardless of value if a future interest) as follows? (Answer "Yes" or "No.")

1 By the creation of an irrevocable trust for the benefit of another Yes
2 By making additions to an irrevocable trust previously created for the benefit of another No
3 By permitting a beneficiary other than yourself to receive the income from a revocable trust, where you possessed the power of revocation and chose during the year not to exercise it whether such trust was created before or after the enactment on June 9, 1932, of the Gift Tax Act of 1932 No
4 By relinquishing a power to revoke a trust created for the benefit of another No
5 By permitting another to withdraw funds from a joint bank account which were deposited by you No
6 By irrevocably assigning a life insurance policy, or by naming a beneficiary of a policy without retaining any of the legal incidents of ownership therein Yes
7 By paying a premium under an insurance policy in which you retain none of the legal incidents of ownership and the proceeds of which are payable to a beneficiary other than yourself or your estate No
8 By conveying title to another and yourself as joint tenants or to your wife or husband and yourself as tenants by the entirety No
9 By any other method, direct or indirect, whereby another received a gift No

If the answer is "Yes" to any of the foregoing, such transfer should be fully disclosed under schedule A or B.

COMPUTATION OF AMOUNT OF NET GIFT FOR YEAR

1	Amount of gifts for year other than charitable, etc., gifts (item c, schedule A)	25278.08
2	Amount of charitable, public, and similar gifts for year (item c, schedule B)	50.
3	Total amount of gifts for year (item 1 plus item 2)	25328.08
4	Amount of charitable, public, and similar gifts for year (item c, schedule B)	50.
5	Specific exemption claimed (not exceeding \$50,000 less total amount of specific exemption claimed for preceding years)	50000.
6	Total deductions (item 4 plus item 5)	50050.00
7	Amount of net gifts for year (item 3 minus item 6)	75278.08

COMPUTATION OF TAX

1	Amount of net gifts for year (item 7, above)	75278.08
2	Total amount of net gifts for preceding years (item 1, schedule C)	0
3	Total net gifts (item 1 plus item 2)	75278.08
4	Tax computed on item 3	
5	Tax computed on item 2	
6	Tax on net gifts for year (item 4 minus item 5)	2531.21

AFFIDAVIT

I swear (or affirm) that this return, including the accompanying schedules and statements, if any, has been examined by me, and to the best of my knowledge and belief, is a true, correct, and complete return for the calendar year stated, pursuant to the Gift Tax Act of 1932, as amended, and the regulations issued thereunder, and no transfer required by said law and regulations to be returned other than the transfer or transfers disclosed herein under schedules A or B was made by me (the donor) during said calendar year.

NOTARIAL SEAL

Sworn to and subscribed before me this 3rd day of February 1936
Alvin S. Jackson
(Signature and title of officer administering oath)

AFFIDAVIT

I swear (or affirm) that I prepared this return for the person named herein and that this return, including the accompanying schedules and statements, if any, is a true, correct, and complete statement of all the information respecting the donor's gift tax liability of which I have any knowledge.

NOTARIAL SEAL

Sworn to and subscribed before me this _____ day of _____, 1936
(Signature and title of officer administering oath)

531

21

Northwestern Mutual Life Insurance Company—face of policy \$2500.00, issued March 2, 1906, \$53962 net cash value December 13, 1935, \$1800.06 paid up as to premiums. *Single life*

Northwestern Mutual Life Insurance Company—face of policy \$3000.00, issued February 1, 1912, \$12851 net cash surrender value December 13, 1935 \$1499.33 paid up as to premiums. *Single life*

Northwestern Mutual Life Insurance Company—face of policy \$50,000.00, issued Dec. 1, 1927 \$2037662 net cash surrender value December 13, 1935, \$10,930.94 less loan on policy \$3267.09 equals net value \$7662.85 premiums \$21312 *Single life*

New York Life Insurance Company—face of policy \$8415.00 issued July 28, 1917 \$175331 net cash surrender value December 10, 1935. \$5145.84 less loan against same \$4830 equals \$315.84 net value. *Single life*

all values furnished by Bureau too



(Testimony of George S. Gaylord.)

Mr. Dockweiler: Precisely, statements.

Mr. Coon: On his side of the case, of course, that is pertinent.

The Judge: I don't think, in the light of counsel's opening statement upon estoppel and equity you can assume that is the only purpose of the gift tax return. [328]

Mr. Coon: Well, I don't like to object to them as incompetent, but I suppose it is hard to split the objection.

The Judge: I don't think you need to, so far as that is concerned. I shall overrule the objection, whatever you meant, and admit it.

Mr. Coon: I think under counsel's theory of the case he is entitled to have the documents in evidence. No objection.

The Judge: It is already received.

Mr. Dockweiler: And I call your Honor's attention in that connection that this is a statement that is made practically, in length of time, practically contemporaneously with the original declaration of trust.

By Mr. Dockweiler:

Q. Now, I show you what purports to be a photographic copy of the gift tax return for the calendar year 1935 of Gertrude H. Gaylord, 639 Rosemont Avenue, Pasadena, California, citizenship U.S.A., residence above, which bears a certificate that it is a true copy of a gift tax return, Form 708, of Gertrude H. Gaylord, 639 Rosemont Avenue, Pasadena, California (donor) for the year 1935,

(Testimony of George S. Gaylord.)

which certificate is dated April 30, 1941, and is made by direction of the Secretary of the Treasury by—it looks like “S. H. Marks.” It is “S” or “F”—the first initial is somewhat undecipherable—“H. Marks, Acting Chief Clerk, Treasury Department.”

By Mr. Dockweiler:

Q. I will ask you if you have seen the original of which that purports to be a copy. [329]

Mr. Coon: If your Honor please, I don't question that this is a true and correct copy of the original, and that the original was filed. It might shorten the record if it was just offered and put in evidence for what it says.

Mr. Dockweiler: At this time we offer in evidence as petitioners' next exhibit, No. 3, the gift tax return of Gertrude H. Gaylord for the year 1935.

The Judge: The document so offered is received and will be marked as Petitioners' Exhibit No. 3.

(Said gift tax return was marked as Petitioners' Exhibit No. 3, and received in evidence.)

By Mr. Dockweiler:

Q. Now, Mr. Gaylord, whose handwriting appears on that return?

A. My own, except for the signature.

The Witness: By the signature I mean the signature of Gertrude H. Gaylord and Alice F. Jackson, in the two places where the signature of Alice F. Jackson appears. That is my signature, “George S. Gaylord”, as the one who made out the return. The return was read by Mrs. Gaylord after I made it out and she verified it, or, rather, made it before Alice F.

United States



of America

TREASURY DEPARTMENT

WASHINGTON

APR 2 1943

SUANT to the provisions of Section 661, Chapter 17, Title 28 of the
 States Code (Section 882 of the Revised Statutes of the United States),
 he certify that the annexed is a true and correct copy of the
 of Gertrude M. Taylors, 1111 14th Street, N.W., Washington, D.C.
 for the year 1936,

THE TAX COURT OF THE U. S.	
DIV. 3	INCKET: 109135
ADMITTED AS EVIDENCE 109273	
APR 2 - 1943	
PETITIONER	
EXHIBIT	3
RESPONDENT'S	

file this Department.

IN WITNESS WHEREOF, I have hereunto set my hand,
 and caused the seal of the Treasury Department to be
 affixed, on the day and year first above written.

By direction of the Secretary of the Treasury

P. C. Sir-Peter

at Chief Clerk, Treasury Department

60 Calif. 683

GIFT TAX RETURN

CALENDAR YEAR 1935

(TO BE FILED IN DUPLICATE UNDER THE PROVISIONS OF THE GIFT TAX ACT OF 1932, AS AMENDED)

NAME OF DONOR GERTRUDE H. GAYLORD

ADDRESS 639 Rosemont Ave. Pasadena Calif.

CITIZENSHIP U.S.A.

RESIDENCE above

(Space for use of Bureau)

5

RECEIVED
FEB 4 1936
U.S. INT. REV.
LOS ANGELES, CAL.

Have you (the donor), during the calendar year indicated above, without an adequate and full consideration in money or money's worth, made any transfer exceeding \$1,000 in value (or regardless of value if a future interest) as follows? (Answer "Yes" or "No") Yes

- By the creation of an irrevocable trust for the benefit of another for the benefit of another for the benefit of another
- By making additions to an irrevocable trust previously created for the benefit of another for the benefit of another
- By permitting a beneficiary (other than yourself) to receive the income from a revocable trust, where you possessed the power of revocation and chose during the year not to exercise it, whether such trust was created before or after the enactment, on June 4, 1933, of the Gift Tax Act of 1932 for the benefit of another
- By irrevocably assigning a life insurance policy, or by creating a beneficiary of a policy without retaining any of the legal incidents of ownership for the benefit of another
- By paying a premium under an insurance policy in which you retain none of the legal incidents of ownership and the proceeds of which are payable to a beneficiary other than yourself or your estate for the benefit of another
- By conveying title to another and yourself as joint tenants or to your wife or husband and yourself as tenants by the entirety for the benefit of another
- By any other method, direct or indirect, whereby another received a gift for the benefit of another

If the answer is "Yes" to any of the foregoing, such transfer should be fully disclosed under schedule A or B.

COMPUTATION OF AMOUNT OF NET GIFTS FOR YEAR

1. Amount of gifts for year other than charitable, etc., gifts (Item c, schedule B)	40,000.00
2. Amount of charitable, public, and similar gifts for year (Item c, schedule B)	0
3. Total amount of gifts for year (Item 1 plus Item 2)	40,000.00
4. Amount of charitable, public, and similar gifts for year (Item c, schedule B)	0
5. Specific exemption claimed (not exceeding \$50,000, less total amount of specific exemption claimed for preceding years)	4,000.00
6. Total deductions (Item 4 plus Item 5)	0
7. Amount of net gifts for year (Item 3 minus Item 6)	40,000.00

COMPUTATION OF TAX

1. Amount of net gifts for year (Item 7, above)	40,000.00
2. Total amount of net gifts for preceding years (Item 1, schedule C)	0
3. Total net gifts (Item 1 plus Item 2)	40,000.00
4. Tax computed on Item 3	0
5. Tax computed on Item 2	0
6. Tax on net gifts for year (Item 4 minus Item 5)	0

AFFIDAVIT

I swear (or affirm) that this return, including the accompanying schedules and statements, if any, has been examined by me, and to the best of my knowledge and belief, is a true, correct, and complete return for the calendar year stated, pursuant to the Gift Tax Act of 1932, as amended, and the regulations issued thereunder, and no transfer required by said law and regulations to be returned other than the transfer or transfers disclosed herein under schedule A or B was made by me (the donor) during said calendar year.

NOTARIAL
SEAL

Sworn to and subscribed before me this 3rd

day of February, 1936

Alie E. Jackson
(Signature and title of officer administering oath)

Gertrude H. Gaylord
(Signature of donor)

AFFIDAVIT

I swear (or affirm) that I prepared this return for the person named herein and that this return, including the accompanying schedules and statements, if any, is a true, correct, and complete statement of all the information respecting the donor's gift tax liability of which I have any knowledge.

NOTARIAL
SEAL

Sworn to and subscribed before me this 3rd

day of February, 1936

Alie E. Jackson
(Signature and title of officer administering oath)

Alie E. Jackson
(Signature of person preparing return)

W2

SCHEDULE A—Gifts During Year Other Than Charitable, Public, and Similar Gifts

ITEM NO.	DESCRIPTION OF GIFT, MOTIVE, DONOR'S NAME AND ADDRESS, AND RELATIONSHIP TO DONOR	DATE OF GIFT	VALUE AT DATE OF GIFT
2000	Shares of Common Stock of Marathon Paper Mills Co. of Hudson Wis. Data submitted by S. Lloyd & Co. @ 75 7/8	Nov 7 1935	\$ 50,000 ⁰⁰ / ₁₀₀

(a) Total

\$ 50,000

(b) Less total exclusions not exceeding \$3,000 for each donee (except future interests)

(c) Included amount of gifts for year other than charitable, etc., gifts

SCHEDULE B—Charitable, Public, and Similar Gifts During Year

ITEM NO.	DESCRIPTION OF GIFT, NAME AND ADDRESS OF DONEE, AND CHARACTER OF INSTITUTION	DATE OF GIFT	VALUE AT DATE OF GIFT
	None		\$

(a) Total

(b) Less total exclusions not exceeding \$3,000 for each donee (except future interests)

(c) Included amount of charitable, public, and similar gifts for year

SCHEDULE C—Returns, Amounts of Specific Exemption, and Net Gifts for Preceding Years (Subsequent to June 6, 1932)

CALENDAR YEAR	COLLECTION DISTRICT IN WHICH PRIOR RETURN WAS FILED	AMOUNT OF SPECIFIC EXEMPTION	AMOUNT OF NET GIFTS
		\$	\$

(a) Total amount of specific exemption claimed for preceding years

(b) Total amount of net gifts for preceding years

(Testimony of George S. Gaylord.)

Jackson, the notary public named therein on February 3, 1936. I signed and swore to the same instrument on February 3, 1936, before Alice E. Jackson, as the one who prepared the return. Our residence through all of this period, that is, from 1935 on, was and has remained 639 Rosemont Avenue, Pasadena, California. Those premises are owned by myself and my wife in joint tenancy and that has been the state of ownership throughout the entire period and still is. [330]

Approximately \$90,000 of the proceeds of the sale of the Marathon Paper Mills stock referred to in the trust was invested in the real property purchased by the trustees in Texas.

Q. Now, when did you first hear or know of any question that might be raised as to the revocability or irrevocability of this trust?

A. The first indication of any such question came from my attorney here present, Mr. Thomas A. J. Dockweiler.

Q. Do you remember when that was?

A. In the beginning of 1940. I can't say the exact day.

I have seen the instrument now shown to me entitled "Declaration Being a Part of a Certain Declaration of Trust Dated November 7, 1935", which bears the signatures of George S. Gaylord and Gertrude H. Gaylord, a certificate of acknowledgment by George S. Gaylord and Gertrude H. Gaylord, under date of March 27, 1940, before J. C. Humphreys, a notary public in and for Los Angeles County, and

(Testimony of George S. Gaylord.)

also an oath, a separate oath, signed by George S. Gaylord and Gertrude H. Gaylord on the same date and before the same notary. The signature, "George S. Gaylord", is my signature. It appears on page 2 in two places. The other signature, "Gertrude H. Gaylord", which appears is that of my wife, Gertrude H. Gaylord. Those oaths were made by me and her, and those acknowledgments were made by me and Mrs. Gaylord before Miss J. C. Humphreys, a notary public in and for this county, on the date named, March 27, 1940. After this instrument was so signed it was left in the hands of my [331] attorney, Mr. Thomas A. J. Dockweiler, and it has been there ever since, except when it went out of his hands and into the hands of the Recorders. I caused that instrument to be recorded on March 28, 1940, in Book 17245 at page 350 of Official Records of Los Angeles County, California. We caused it also to be recorded on May 14, 1940 in Book 12, at page 495 and following, of Calaveras County records in this State and on March 8, 1940, in Vol. 706, at page 312, of the Records of Stanislaus County, in this State.

Mr. Dockweiler: At this time I would like to introduce this in evidence as the petitioners' next exhibit.

Mr. Coon: I object to this, your Honor, as incompetent, irrelevant and immaterial to the issues in this case.

The Judge: The objection is overruled. It will be marked in evidence as Petitioners' Exhibit 4.

(Testimony of George S. Gaylord.)

(Said declaration of trust was marked as Petitioners' Exhibit No. 4, and received in evidence.)

By Mr. Dockweiler:

Q. Now, Mr. Gaylord, is a true copy of that instrument set forth in yours and Mrs. Gaylord's petition in this matter as exhibit—this is preliminary, so that when the originals are withdrawn, we will have the copies.

Mr. Coon: I might state, your Honor, I will agree that the exhibit attached to the petition——

Mr. Dockweiler: Exhibit C.

Mr. Coon: ——Exhibit C purports to be a true and correct copy of Petitioners' Exhibit——

The Judge: No. 4.

Mr. Coon: ——4, which has just been introduced, and as [332] in the case of the original document. I will make a comparison with a view to withdrawal of the original, if that is what Mr. Dockweiler is seeking.

Mr. Dockweiler: Yes.

The Judge: That may be done.

By Mr. Dockweiler:

The Witness: The trust purchased certain property in Santa Monica in this county in March of 1938, for \$127,500, of which purchase price one-third was contributed by myself and my wife as trustees, one-third by my wife, and one-third by myself. The value at the time this purchase was made in March, 1938, of the improvements then on the property we estimated at \$15,000. At the time the property was rented. There were three stores, all rented.

(At 12:40 o'clock P.M. on April 2, 1943, the hearing which had commenced at 10:22 o'clock A. M. of that day was adjourned until 2:00 o'clock P.M. of the same day. The hearing was resumed at 2:00 o'clock P.M. of said day and the following proceedings were had:)

GEORGE S. GAYLORD

resumed the said.

Direct Examination (Continued)

By Mr. Dockweiler:

Witness: In our income tax returns for the trust, that I have heretofore testified to, the trust for our daughters in the years involved in these appeals, 1936, 1937, 1938 and 1939, we showed certain gains on the sale of the shares of the [333] Marathon Paper Mills Company stock, which constituted the trust estate and which are the shares referred to in the declaration of trust, which has been introduced in evidence as Petitioners' Exhibit No. 1. In those returns we showed a cost basis of \$8.21 per share. Our estimation of the profits realized was on that basis. I am acquainted with the memoranda or statements which are appended to my and Mrs. Gaylord's petitions, being Exhibits F, G and H, to my petition herein. G corrects F. F is corrected by G. Those show the bases on which this is arrived at.

In 1917 I was the owner of 337 shares of the Menasha Carton Company. My partner, S. H. Clinedinst, was the owner of an equal number of

(Testimony of George S. Gaylord.)

shares out of a total of 726 shares. The geographical location of the Menasha Carton Company and of the Menasha Printing Company, which my partner in the Carton Company owned 100 per cent, was that they were across the street from one another in the town of Menasha, Wisconsin. My partner in the Carton Company was desirous of consolidating the two businesses, and eventually that consolidation took place as of July 1, 1917. As a result of that consolidation, an agreement was entered into between Mr. Clinedinst, my partner and myself, involving the creation of the Menasha Printing and Carton Company, which consolidation was based on the assets of the two respective companies, said assets having been fixed by an appraisal by a competent appraisal company, made at the time, plus quick assets. As a result of that agreement I got for my 337 shares of Menasha Carton Company stock and my note for \$152,161.11 [334] 1,975 shares of the common stock of the new company, that is, the Menasha Printing and Carton Company, and 410 shares of the preferred stock of the same company. I don't know how far I can go in reference to the intangible consideration in this picture, because there was a very definite consideration besides what appeared on the books. The profits of the Menasha Carton Company for the first seven months of 1917 were \$56,000, which on a 12-months' basis would be \$96,000 made on assets of net worth of \$186,000. The Printing Company made the first six months of 1917 \$187,000. These, of course, are all in round figures. The com-

(Testimony of George S. Gaylord.)

bined profits at the end of the year 1917, that is, first operated separately for the six months of 1917, plus the profits for the new company which was a combination of the two old ones, was \$315,000 of net profits for the year 1917.

Mr. Coon: Pardon the interruption, your Honor. I would like to know what counsel proposes to have this testimony lead to? What is the theory?

Mr. Dockweiler: To show the real values that were involved in the acquisition by Mr. Gaylord of the stock of the new company, which later went into—that is, it later resulted in—the Marathon Paper Mills Company stock in, I think, 1927, which is the stock that is in the trust. The assets other than good will and earnings consideration were used in adjusting, as our memorandum will show you, made contemporaneously, or, a contemporaneous memorandum was used as adjusting, between the stockholders of both companies their respective shares, the assumption being that the earnings of both companies were practically the [335] same; so that in arriving at the new stock setup of the new Menasha Printing and Carton Company as a rule of thumb and for convenience we will show that all questions of earnings, even though they entered into the real value of the shares held by Mr. Gaylord and those held by Mr. Clinedinst, were eliminated and they arrived at the proportion of the stock to be held in the new company, to be held by the stockholders of the old company, on the basis of the tangible assets plus the quick assets, but exclusive of any considera-

(Testimony of George S. Gaylord.)

tion of intangible values, such as the earning power of the stock as demonstrated by what it had done or good will. In other words, Mr. Gaylord's stock, which he put into the consolidation, and Mr. Clinedinst's stock that he in turn put into the consolidation or merger, had a value, as shown by the very earnings, far in excess of the values that were used as a rule of thumb to make the proportionate distribution of the stock of the new company.

Mr. Coon: That is in excess of the book value?

Mr. Dockweiler: Far in excess of the book value.

Mr. Coon: That is the purpose of it?

Mr. Dockweiler: Yes.

The Witness: May I continue?

Mr. Dockweiler: Yes.

The Witness: There was one other consideration, and a very important one to me, most important. If we had consolidated these two companies on the basis of earnings, the most conservative of which might be called ten times earnings as the value of the stock, and by my prearranged agreement with [336] Mr. Clinedinst whereby I was to acquire 40 per cent of the common stock less what I would get by virtue of my Menasha Carton Company, put into the combination, I would have been signing a note not for \$152,000 but for closer to \$1,000,000, which made quite a different consideration to me, and there comes in the intangible consideration, namely, that Mr. Clinedinst was satisfied that I was the man to run the business and I was the one that dictated the terms of the consolidation, and I dictated them, of

(Testimony of George S. Gaylord.)

course, as much to my advantage as I could. Consequently, we took the assets as the measuring stick, not the earnings power, and for that reason alone, so that when we got through instead of having \$600 a share value in the Menasha Printing and Carton Company stock, in round figures, as would have been the case if we had used ten for one earning capacity to place a valuation on that stock, we had consequently a very low valuation, which was all, of course, to my financial advantage at the time.

I have seen the typewritten statement, a carbon, bearing no designation, but starting with the phrase, "Printing Co. resources, \$774,000," and "Carton Co. resources, \$186,000," and "Capital stock \$500,000," and then an addition of those two first mentioned figures, \$960,000, \$192.00 average per share, now shown me. To the best of my knowledge, this is the makeup of the various interests together with appraisal values and net worth values, made up by a man by the name of George J. Meyer, who was the bookkeeper of the Menasha Printing Company in and during approximately the time around July 1, 1917, and these [337] pencil notations (referring to the pencil notations which appear on the sheet) on the sheet, are in his handwriting. Those are the figures that were acted on by me and Mr. Clinedinst and the other stockholders interested in each of these companies to arrive at the division of stock in the new company. I think we ought to interject here that the other stockholders were very small, both

(Testimony of George S. Gaylord.)

as to interests and as to the number of shares. That is shown, however, in the statement itself.

Q. Now, I notice on the right-hand side of the sheet these figures, "G. S. Gaylord, Carton stock, \$44,968.15; Bonds, \$41,370.74." Then in a column headed "Capital stock to be issued par value," two sets of figures \$86,338.89 and then \$197,500; and then in a column, "add. to pay" right along the same line, \$111,161.11. Then a penciled notation under that in words as follows, "\$41,000 note," then a line drawn, then—that "41,000 note" appearing under the "\$111,161.11," and then a line drawn, and then a total there of "\$152,161.10." And then after that it says "Signed note." What is the explanation of those figures?

A. The \$86,338.89 was my participation in dollars; that is, I had that much credit with the new company against which stock, preferred stock, was to be issued.

The \$197,500 represents the common stock I was to receive by virtue of the previously made agreement with my partner. The \$111,161.11 represents the difference existing between the amount in dollars that I would have to pay on the common stock, to have the 1,975 shares. The \$41,000 is the [338] additional amount necessary for the preferred stock, making a total note of \$152,161.11.

I have seen the paper now shown to me which purports to be a promissory note for \$152,161.11, dated Menasha, Wisconsin, August 30, 1917, providing for the payment three years after date by

(Testimony of George S. Gaylord.)

George S. Gaylord to S. H. Clinedinst, or order, at the First National Bank of Menasha, \$152,161.11, bearing interest at the rate of 6 per cent per annum, payable semi-annually. That is my signature, G. S. Gaylord. That is the same note that I have been referring to in describing this makeup of the combination of the two companies, and that is the note that I gave to Mr. Clinedinst at the time. The note was paid in cash. This is the receipt for it on the face of it: "Paid in full, September 29, 1924, S. H. Clinedinst." That receipt was put on the note at or about the time it was so paid in full, and that is Mr. Clinedinst's signature.

Mr. Dockweiler: We ask at this time, your Honor, that this note be introduced, or, rather, we ask to introduce in evidence this carbon memorandum with the pencil notations, which Mr. Gaylord has just testified to, as our Petitioners' Exhibit next in order, I am offering this first, because the note follows:

Mr. Coon: No objection, your Honor.

The Judge: It will be marked in evidence as Petitioners' Exhibit No. 5.

(The said memorandum of figures so offered and received in evidence was marked Petitioners' Exhibit 5, and made a part of this record.)

[339]

Mr. Dockweiler: We also ask at this time to introduce in evidence the promissory note for \$152,161.11, just testified to and which is referred to in the penciled notations.

Printing Co. Resources \$774.
 Carton Co., " 186.
 Capital stock (500,000.) 920.

Carton Co. 186,000/960,000 of
 Printing Co. 186,000/960,000 "
 Std

Ptg. Co. Stockholders

J.H. Clinedinst 2075 2075/2075 Stock
 Silas Bullard 1 1/2075 value

Add. to Pay Or. DUE

Carton Co. Stockholders

J.H. Clinedinst 337 337/726 00.00
 C.S. Gaylord 337 337/726
 C.F. Heisler 35 35/726
 Silas Bullard 2 2/726
 Jas. Maeder 10 10/726 00.00
 Geo. Mehrieh 5 5/726
726

\$609,966.05

\$111,161.11

Bonds

.00

3,533.11

Carton Co. -
 186,000/960,000 of 460,000

Printing Co.
 174,000/960,000 of 460,000

Ptg. Co. Stockholders

J.H. Clinedinst 2075 2075/2075 00.00
 S. Bullard 1 1/2075

2,438.04

Carton Co. Stockholders

J.H. Clinedinst 337 337/736 00.00
 C.S. Gaylord 337 337/736
 C.F. Heisler 35 35/726 00.00
 Silas Bullard 2 2/726 00.00
 Jas. Maeder 10 10/726 00.00
 Geo. Mehrieh 5 5/726 00.00
00

1,219.02

12,500.00
 12,500.00
 5,000.00
 2,500.00
150,851.28

TH
 DIV
 P. 11
 125

(Testimony of George S. Gaylord.)

George S. Gaylord to S. H. Clinedinst, or order, at the First National Bank of Menasha, \$152,161.11, bearing interest at the rate of 6 per cent per annum, payable semi-annually. That is my signature, G. S. Gaylord. That is the same note that I have been referring to in describing this makeup of the combination of the two companies, and that is the note that I gave to Mr. Clinedinst at the time. The note was paid in cash. This is the receipt for it on the face of it: "Paid in full, September 29, 1924, S. H. Clinedinst." That receipt was put on the note at or about the time it was so paid in full, and that is Mr. Clinedinst's signature.

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[339]

Mr. Dockweiler: We also ask at this time to introduce in evidence the promissory note for \$152,161.11, just testified to and which is referred to in the penciled notations.

Printing Co. Resources \$774,000.00
 Carton Co. " 186,000.00
 Capital stock \$500,000. 960,000.00 192.00 average per share.

Carton Co. 186,000/960,000 of 500,000 - \$96,875.00 Carton Co.
 Printing Co. 186,000/960,000 " 500,000 - 402,125.00 Ptg. Co.
 Stock \$500,000.00

Ptg. Co. Stockholders
 S.H. Clineinst 2075 2075 of \$402,125.00 - \$402,930.81
 Silas Ballard 1 1/2075 of 402,125.00 - 194.19
 2075 402,125.00

Carton Co. Stockholders
 S.H. Clineinst 337 337/725 of \$96,875.00 - 44,968.15
 G.S. Gaylord 337 337/725 " 96,875.00 - 44,968.15
 G.W. Heisler 35 35/725 " 96,875.00 - 4,670.29
 Silas Ballard 2 2/725 " 96,875.00 - 266.87
 Jas. Maeder 10 10/725 " 96,875.00 - 1,384.86
 Geo. Mohrlich 5 5/725 " 96,875.00 - 667.18
 725 402,930.81

Bonds

Carton Co. -
 184,000/960,000 of 460,000 \$89,125.00

Printing Co.
 174,000/960,000 of 460,000 370,875.00
 460,000.00

Ptg. Co. Stockholders
 S.H. Clineinst 2075 2075 of \$370,875.00 - \$370,696.35
 S. Ballard 1 1/2075 " 370,875.00 - 178.65
 2075 370,875.00

Carton Co. Stockholders
 S.H. Clineinst 337 337/725 of \$89,125.00 - \$41,370.74
 G.S. Gaylord 337 337/725 " 89,125.00 - 41,370.74
 G.W. Heisler 35 35/725 " 89,125.00 - 4,296.60
 Silas Ballard 2 2/725 " 89,125.00 - 245.62
 Jas. Maeder 10 10/725 " 89,125.00 - 1,227.60
 Geo. Mohrlich 5 5/725 " 89,125.00 - 613.80
 725 89,125.00

Shares	S.H. Clineinst	Capital Stock	Add. to Pay	Gr. Div.
402.93	Ptg. Stock \$402,930.81	to be issued for value		
2	Carton " 44,968.15			
	Bonds 412,067.09	\$859,966.06	\$250,000.00	\$609,966.06

449	G.W. Gaylord			
449	Carton Stock \$44,968.15			
46	Bonds 41,370.74	\$6,238.89	\$197,500.00	\$111,161.11

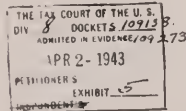
3	G.W. Heisler			
7	Carton Stock \$4,670.29			
5000	Bonds 4,296.60	\$,966.89	12,500.00	\$,533.11

	Silas Ballard			
	Ptg. Stock \$194.19			
	Carton " 266.87			
	Bonds 424.17	886.23		

	James Maeder			
	Carton Stock \$1,384.86			
	Bonds 1,227.60	\$,561.96	\$,000.00	\$,248.04

	Geo. Mohrlich			
	Carton Stock \$667.18			
	Bonds 613.80	1,280.98	\$,500.00	\$,119.02
		960,000.00		

	W.A. Brooks	12,500.00	12,500.00	
	Geo. J. Mayer	12,500.00	12,500.00	
	Ben Metternich	5,000.00	5,000.00	
	E.L. Tuss	2,500.00	2,500.00	
		500,000.00	150,001.28	



Memorandum from

Ex 6

JAMES W. BONTEMS

Re. N. C. Co.

47000.00
all paid in
cash. Final
payment was
borrowed from
Harris Trust Co.

J. W. Bontems

12/12/40

y. 1

\$152166.11

Menasha, Wis August 30th 1907

Three Years ~~ago~~ after date J. George L. Gaylord
promised to pay S. H. Clinedinst ^{Order}
~~or personal~~

THE FIRST NATIONAL BANK OF MENASHA

One Hundred Eighty Two thousand one hundred and eighty one ^{v113}
after of my July 1st 1907
for value received, with interest ~~at the rate of~~ ^{at} the rate of Six per cent.
per annum, until paid. Payable to me immediately.

Having deposited with the holder of this note certain property as COLLATERAL SECURITY
to this Note, for value received, pledging ~~to~~ by authorizes, said holder or any subsequent holder on the non-payment
of this Note at maturity, to sell the said property at ~~other~~ public or private sale, with or without further notice

to pledge, and apply the proceeds thereon. On or prior to 2nd Jan 1925 ~~Sherry~~ ^{Sherry} the Capital Stock
of the Menasha Printing and Casket Company, dated August 30th 1917, and
shares of such Capital Stock, ~~as~~ ^{as} stated in such certificate, and with the right to
receive and be paid as dividend and to be added or paid up in such stock
stock, same to be credited and applied when toward the payment of this note
first to the payment of interest, next to principal, and finally, until such
note is fully paid.

[Handwritten signatures and notes]
J. George L. Gaylord
S. H. Clinedinst
1907

Lat.
6 Aug 1-17. 1-2161"

Int 7/1-17 to 1/18-4/24/82
" 7/18 to 7-4- 4701.78
926661

161,411.72

Interest 19600.00

15200.00

Sum 17500.00 Balance

146177.72

Int 7/18 to 1/19 " 355.83
150563.05

Sum 6% 1/19 915000
1414130.5

6% Int 1/19 to 1/20 8484.78
149897.83

14% dividend 1/20 91500.00
" 27.83

6% Int 1/20 to 1/21 8484.87
149192.70

1/21 By Chk 5000.00
144192.70

1/21 By dividend 6% 91500.00
135042.70

Int 1/21 to 1/22 8102.56
8102.56

" 1/22 to 1/23 46284.8
46284.8

" 1/23 to 1/24 155876.30
155876.30

10% dividend 1/24/23 15250.00
140626.30

Int 7/24 to 7/25 8437.58
149063.88

6% div. 7/25/24 10950.00
138113.88

138.63320
paid up 79.1724

Y3

(Testimony of George S. Gaylord.)

The Judge: Without objection it will be marked as Petitioners' Exhibit No. 6 in evidence.

(The said note so offered and received in evidence was marked Petitioners' Exhibit 6, and made a part of this record.)

Mr. Dockweiler: Now, at this time, your Honor, I think the Government has a photographic copy which will serve the purpose every bit as well, and if there is no objection I will ask permission to withdraw the original note itself and to substitute the photographic copies.

Mr. Coon: I will be very glad to cooperate. How will we handle it?

The Judge: Well, the photostat may be marked, if it is agreeable with the parties, as the exhibit.

Mr. Coon: That is all right.

Mr. Dockweiler: That is entirely satisfactory, your Honor.

By Mr. Dockweiler:

The Witness: These figures that appear on Exhibit 5, to which I have just testified, are values based on an appraisal made approximately the same time as the combination was made. That appraisal did not take into consideration either earnings value or good will. It was an appraisal of physical property.

It was in 1930 that Mrs. Gaylord acquired any interest in the 7,000 shares of the Marathon Paper Mills Company stock. [340] The 2,000 shares that are mentioned in the declaration of trust which has been introduced in evidence as Petitioners' Exhibit

(Testimony of George S. Gaylord.)

I were acquired by her in that year from me. I made a gift to her of them. She did not have any interest in that stock prior to that date. She did not have any interest in the stock of the Carton Company or of the Menasha Printing and Carton Company that was involved in this.

Q. Now, what happened subsequently to your acquiring the shares of the stock, both the common and the preferred stock of the Manasha Printing and Carton Company in 1917? What happened subsequently to that?

A. Well, in 1922 or '23 I bought all of the remaining interests of Mr. Clinedinst out. There is no—as a matter of fact, that is what happened. In 1927 the Menasha Printing and Carton Company, whose name, by the way, had been changed by that time to the Menasha Products Company, was consolidated with the Marathon Paper Mills of Wausau, Wisconsin, in which consolidation I received for my 3,357 shares of Menasha Printing and Carton Company stock 6,728 shares of the Marathon Paper Mills Company common stock, and \$1,038,000 in 5 per cent bonds.

That was in 1927.

That is the transaction shown on Exhibit F attached to my petition. This Exhibit F was the formula which I used from the sale of the first bonds, made in 1928, up through to and including 1939 on all sales of bonds and stock of the Marathon Paper Mills that I owned or that any of us owned, but as I have said heretofore, that Exhibit F was wrong,

(Testimony of George S. Gaylord.)

as it failed to take [341] into consideration the transaction we have been discussing, of the Menasha Carton Company and the Menasha Printing Company. The explanation of the correction required to be made is set forth in Exhibits G and H attached to my petition in this matter now shown to me. This exhibit takes into account the earnings of the Menasha Carton Company and of the Printing Company and the resulting basis for the computation of the original cost of the Marathon stock, as shown in Exhibit H, page 2, which is the result. Those two exhibits, then, G and H, set forth the factors that were used. Those factors were based upon facts, to the best of my knowledge. With G and H I arrived at a per share basis different from what I have in F; slightly different.

Mr. Dockweiler: A higher basis than that which is actually used in the returns.

The Judge: This seems to be \$8.21.

Mr. Dockweiler: That is in "F", your Honor, and that is, as I understand it, the basis used in the return.

Mr. Coon: That is right.

Mr. Dockweiler: Correctly—that is, properly speaking, that basis is erroneous, being too small.

The Judge: Where is the basis which you say is the right basis?

Mr. Dockweiler: That appears on page 2, line 6, \$10.988 per share.

Mr. Coon: In what exhibit is that?

Mr. Dockweiler: That is in Exhibit H. [342]

(Testimony of George S. Gaylord.)

The Judge: What do the earnings have to do with this, so far as the basis is concerned?

Mr. Dockweiler: As explained, your Honor, the original formula for arriving at the division of stock between the various stockholders of the Carton Company and the Printing Company, the first two companies that Mr. Gaylord has testified to, took into consideration only the appraised values of the tangible properties, plus quick assets, and did not take into consideration in any manner the actual value of stocks as going concerns having earnings values, as demonstrated by past performance; earnings values that would have raised the value of the stock far in excess; nor was any consideration given to good will.

The Judge: What difference would that make?

Mr. Dockweiler: The difference would be this: that what Mr. Gaylord turned in from his own Carton Company, which he turned into the Carton and Printing Company amalgamation, was a very much higher value than the values indicated by merely the appraisement on the tangible assets plus the quick assets.

The Judge: Suppose it was.

Mr. Dockweiler: Then if that was the case back in 1917, then his subsequent sale of the stock would be on a higher base.

The Judge: How do you arrive at that?

Mr. Dockweiler: Because what he put into it was higher than what those values are shown here, based upon merely the tangible and quick assets. Those

(Testimony of George S. Gaylord.)

are not truly reflective. I am referring to Exhibit 5, your Honor. Those were not truly reflective of the real values of the stock of the Carton Company that he put into the amalgamation. [343]

By Mr. Dockweiler:

The Witness: The Carton Company was organized in 1911, prior, of course to there being any income tax account, and I continued my ownership of the stock of the Carton Company right up to the 1917 amalgamation of the Carton and Printing Company, less 5 or 10 shares I may have sold to employees—I don't remember—but the bulk of it, yes.

Q. Now, in between there there was a taxable transfer on which the Government and the taxpayer have both slipped up, relating to that merger?

Mr. Coon: A taxable transfer?

Mr. Dockweiler: Yes. And that added to some confusion in my associate, Mr. Bontems' mind.

Mr. Coon: In reply to that, I might say, Mr. Dockweiler, there were one or two transactions in which no income, taxable income, was reported.

Mr. Dockweiler: On the theory that there was none. That happened to be the taxpayer and that was his theory.

Mr. Coon: I don't know just what was reported. We didn't have any theory, because we didn't go into the question.

The Judge: Was this 1917 transaction a taxable transaction?

Mr. Coon: I think it was, your Honor. Back in

(Testimony of George S. Gaylord.)

that time every re-organization was a taxable transaction. The law didn't provide otherwise. You were taxed on everything, so to speak.

Mr. Dockweiler: You are right there. [344]

The Judge: Under what provision of Section 113 does your basis come?

Mr. Dockweiler: I think Mr. Bontems is better prepared to answer that, because he is more familiar with the actual figures used.

The Judge: Well, I am interested in the provision of the statute you are relying on now, not the figures. We will get to the figures after we find the provision of the statute.

Mr. Dockweiler: The values, your Honor, that Mr. Gaylord actually received from the Menasha Printing and Carton Company. Now, that is the base we are taking.

The Judge: That is the basis you are contending for?

Mr. Dockweiler: Yes. That is the cost to him. He put that into that stock, namely, the stock of the Carton Company plus cash, that is, plus the promissory note which ultimately was paid off as cash.

Mr. Coon: Stock, plus the promissory note and plus cash?

Mr. Dockweiler: And the stock had a value higher than the value that was shown in this formula that was used at the time as a rule of convenience.

Mr. Coon: And the value shown in the formula was what you might call the book value?

(Testimony of George S. Gaylord.)

Mr. Dockweiler: That was book value—or, no, it was different. It was not the book value. He testified that was the appraised value.

Mr. Coon: Not taking into consideration good will? [345]

Mr. Dockweiler: Good will, or anything else.

Mr. Coon: At this time, your Honor, I want to object to any testimony as to the effect on the value of the stock turned in at book value. It so happens that I went clear to the United States Supreme Court on that very question way back 34 years ago in the case of City Council vs. City of Estherville, where the banks at that time made that same contention of taking good will into account in a situation like this, which is not permissible. However, that is a matter for our brief.

The Judge: All right. Go ahead.

The Witness: I can't answer you, I don't think.

By Mr. Dockweiler:

The Witness: Now, in 1927 there was that further transaction I have testified to. The Menasha Products Company consolidated with the Marathon Paper Mills, and I have already testified as to what I received. Subsequently the stock was split four for one. That is what is shown in my Exhibit H.

Q. Would you explain, because it appears in the computation of the basis of the Marathon Paper Mills stock, which is appended to your petition as Exhibit H—would you explain that transaction between yourself and your brother?

(Testimony of George S. Gaylord.)

A. Yes. In 1925 my brother, who was practically the sole owner of Robert Gaylord, Incorporated, operating in St. Louis at that time, came to me and suggested that I exchange 350 shares of the Manasha Printing and Carton Company stock, common stock, for 432 shares of the stock of the Robert Gaylord, Incorporated company, which we did. The 432 shares represented [346] about, roughly, one-third the entire capitalization of the Robert Gaylord, Incorporated company. Subsequently, and some time in the latter part of 1926, possibly in the early part of 1927, my brother came to me and said that he was attempting to interest large paper mill owners in his company, and they were trying one way and another to make a financial setup with this new blood which was coming in, and was I satisfied with the arrangements as they were tentatively made from time to time. You must appreciate that there was nothing cut and dried in these negotiations, that they shift, and turn, and twist around and about. At one time in these negotiations my brother asked me if I would sell to his new group coming in the Robert Gaylord, Incorporated company picture the 432 shares which I owned, and I said I would, and I placed a value of \$300,000 on them. This was not, however, accepted, as their plans changed again, and my brother came to me and told me that he would like very much to cancel our original exchange of stock, that is, I was to give him back the 432 shares of his stock, and I was to get back the 357 shares of my stock, together with any dividends having been

(Testimony of George S. Gaylord.)

paid by either one in the meantime; in other words, to cancel the whole arrangement as though it had never existed, and that it was imperative for him to do that if he expected to carry through the very large plans which he had, and I agreed to that.

Those are the adjustments which are shown in that computation.

In addition to the 7,000 shares of Marathon Paper Mills [347] stock, shown in the declaration of trust to which reference has been made, there were also personal holdings of mine and Mrs. Gaylord's separately that were involved in sales covered by these returns. These returns that are involved here covered more than the 7,000 shares. They covered something over 24,000 shares all told.

All of the statements made on pages 20 to 37 in paragraph 5 of my petition are true.

Cross Examination

Mr. Coon: Your Honor please, the income tax returns of Mr. and Mrs. Gaylord for the years 1936 to 1939, inclusive, the years involved in this case, and also the returns of Mr. and Mrs. Gaylord as trustees for the years 1936 to 1939, inclusive, contain information in regard to the various stock transactions that have been testified to by Mr. Gaylord, and I think the returns should be offered in evidence by the respondent.

Mr. Dockweiler: No objection.

Mr. Coon: Also, in addition to the returns I have mentioned the returns of Margaret G. Ruppel for the years 1936 to 1939, inclusive, and the re-

(Testimony of George S. Gaylord.)

turns of Gertrude Gaylord Bruce for those same years. However, in 1936 she was Gertrude Gaylord.

I had better have these identified.

The Judge: If there is no objection——

Mr. Dockweiler: There is no objection.

The Judge: Why can't you just put them in?

Mr. Dockweiler: Just have all of them go in.

The Judge: And if you will read them off and let the [348] Clerk mark them, we will get the sequence of the exhibits, because I think each one should be marked separately. So if you will just read off the name and the year, we will designate the exhibit number and it can go in.

Mr. Coon: You are suggesting that I read them off, your Honor?

The Judge: Yes. Just pass them over to the Clerk so she can mark them.

Mr. Coon: The return of George S. Gaylord for the year 1936.

The Judge: That will be Exhibit A.

(The said 1936 return, George S. Gaylord, so offered and received in evidence was marked Respondent's Exhibit A, and made a part of this record.)

1936

INDIVIDUAL INCOME TAX RETURN

For Calendar Year 1936

THE TAX COURT OF THE U. S.
DOCKET NO. 107137
ADVISED BY LETTERS 107137
J.D.D. 9-10-43

or fiscal year began 1935, and ended 1937
the Tax Court has been the 10th day of the 10th month following the close of the taxable year

24. Balance (Grosses and Income)	1300
25. Less: Deductions on Governmental Obligations, etc. (Item 2)	0
26. Excess Income credit (See Instruction 26)	0
27. Balance subject to normal tax	1300

28. Income tax paid to a foreign country or U. S. possession
29. Balance of Tax. (Check to refund Items 24 and 27)

AFFIDAVIT (See Instruction 27)

I, the undersigned (or others) that this return (including the accompanying schedule and statement, if any) has been prepared by me (or by others) and to the best of my (our) knowledge and belief is a true, correct, and complete statement of all the information required by the Internal Revenue Act of 1936 and the Regulations thereunder.

Subscribed and sworn to by George S. England before me this 10th day of January, 1937.
Oliver S. Jackson
A NOTARY PUBLIC IN AND FOR THE STATE OF ALABAMA (See back of this return)

AFFIDAVIT (See Instruction 27)

I, the undersigned (or others) that I (we) prepared this return for the person or persons named herein and that this return (including the accompanying schedule and statement, if any) is a true, correct, and complete statement of all the information required by the Internal Revenue Act of 1936 and the Regulations thereunder.

Subscribed and sworn to before me this _____ day of _____, 1937.
Oliver S. Jackson
A NOTARY PUBLIC IN AND FOR THE STATE OF ALABAMA (See back of this return)

(Testimony of George S. Gaylord.)

turns of Gertrude Gaylord Bruce for those same years. However, in 1936 she was Gertrude Gaylord.

I had better have these identified.

The Judge: If there is no objection——

Mr. Dockweiler: There is no objection.

The Judge: Why can't you just put them in?

Mr. Dockweiler: Just have all of them go in.

The Judge: And if you will read them off and let the [348] Clerk mark them, we will get the sequence of the exhibits, because I think each one should be marked separately. So if you will just read off the name and the year, we will designate the exhibit number and it can go in.

Mr. Coon: You are suggesting that I read them off, your Honor?

The Judge: Yes. Just pass them over to the Clerk so she can mark them.

Mr. Coon: The return of George S. Gaylord for the year 1936.

The Judge: That will be Exhibit A.

(The said 1936 return, George S. Gaylord, so offered and received in evidence was marked Respondent's Exhibit A, and made a part of this record.)

Taxpayer's Name

THE JACOBSONS OF THE U.S.A.
APR 2, 1943
APPROVED BY THE JACOBSONS

DEPENDENTS
EXEMPT 1

INDIVIDUAL INCOME TAX RETURN **For Calendar Year 1936**

For the calendar year 1936, the taxpayer has paid the following taxes:

GEORGE STAYLARD
639 Everett St. N. W.

Raymond St. N. W.

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FILED 8 1937
COLUMBIA, MISS.
TAX AUTHORITY

JUL 6 1937

517927
517911

COMPUTATION OF TAX (See Instructions 25)

21. Net Income (From 20 above)	6,553.54	22. Normal tax (15% of item 21)	983.03
23. Less Personal exemptions	0.00	23. Surplus on item 21, plus item 22	983.03
24. Credit for Dependents	0.00	24. Total tax (From 22 plus item 23)	983.03
25. Deductions (From 20 above)	0.00	25. Less Income tax paid during year	0.00
26. Less Income tax paid during year	0.00	26. Income tax to be paid	983.03
27. Surplus (From 24 minus item 26)	983.03	27. Balance of Tax (From 24 minus item 26)	983.03

APPENDIX (See Instructions 27)

I am aware for effect that this return (including the accompanying schedule and statement of any loss from business) is true and correct and that the information furnished is true and correct and that the taxpayer is not liable for any tax in excess of the amount shown on this return.

George Staylard
639 Everett St. N. W.
Raymond St. N. W.

APPENDIX (See Instructions 27)

I am aware for effect that this return (including the accompanying schedule and statement of any loss from business) is true and correct and that the taxpayer is not liable for any tax in excess of the amount shown on this return.

George Staylard
639 Everett St. N. W.
Raymond St. N. W.

I am aware for effect that this return (including the accompanying schedule and statement of any loss from business) is true and correct and that the taxpayer is not liable for any tax in excess of the amount shown on this return.

George Staylard
639 Everett St. N. W.
Raymond St. N. W.

I am aware for effect that this return (including the accompanying schedule and statement of any loss from business) is true and correct and that the taxpayer is not liable for any tax in excess of the amount shown on this return.

George Staylard
639 Everett St. N. W.
Raymond St. N. W.

I am aware for effect that this return (including the accompanying schedule and statement of any loss from business) is true and correct and that the taxpayer is not liable for any tax in excess of the amount shown on this return.

George Staylard
639 Everett St. N. W.
Raymond St. N. W.

(Testimony of George S. Gaylord.)

Respondent's Exhibit A—(Continued)

1936

Dividends received

First National Bank Menasha, Wis.....	\$117.00
Swift & Co.	480.
Sundstrand Machine Tool	687.50
MacIntyre Poreupine	435.
Sylvania Ind. Corp.	50.
Montgomery Ward	120.
Southland Royalty	800.
United Corporation	200.
Masonite Corp.	22.

2911.50

G. S. G.

Held less than one year

1936	Purchases	
Jan. 7 300 Swift 24½	\$	7402.50
June 8 100 Montgomery Ward 367/8.....		3707.50
do do 37.....		3720.10
Apr. 14 500 N.Y. Central 417/8.....		21037.50
June 8 250 Sunstrand M. Tool 15¾.....		3937.50
Oct. 26 1000 Coml. & Southen 4		4100.
Feb. 14 300 B. & O. Ry. 21¼.....		6427.50
Feb. 15 200 Sylvania Ind. 29¼.....		5850.
Feb. 6 Rep. Iron & Steel 22¼.....		6728.55
Boothe Gillette & Co. Joint %		24.57 my share
		<hr/> 62911.15

Sales

Nov. 30 100 Swift 24¾.....	2451.90
do 24½.....	2426.90
do 24¼.....	2401.75
Sept. 10 100 M. Ward 48¾.....	4845.90
Sept 18 do 49¼.....	4895.90
Sept 10 300 N. Y. Cent. 457/8.....	13675.22
Oct. 9 200 do 49¼.....	9791.80

(Testimony of George S. Gaylord.)

Respondent's Exhibit A—(Continued)

1936		Sales	
Sep. 18	50 Sund. M. Tool 18 $\frac{3}{4}$	922.98	
	do 19 $\frac{1}{4}$	947.98	
	do 20.....	984.98	
	do 20 $\frac{1}{4}$	997.47	
	do 21.....	1034.97	
Nov. 30	1000 Coml. South. 3 $\frac{5}{8}$	3479.90	
Nov. 30	100 B. & O. Ry. 22 $\frac{1}{4}$	2203.45	
Nov. 30	100 do 22.....	2178.45	
Nov. 30	100 do 22.....	2178.46	
Aug. 21	125 Sylvania Ind. 30 $\frac{1}{4}$	3738.75	
Aug. 21	25 do 30 $\frac{1}{2}$	754.	
Aug. 21	50 do 30 $\frac{1}{2}$	1507.70	
Apr. 14	300 Rep. Iron & S 25 $\frac{3}{8}$	7520.99	
		<hr/>	
		68939.45	
		Gain	\$6028.30
Joint Acct. with Boothe Gillette my share		Gain	24.57
		<hr/>	
			6052.87

[Figures penciled in margin] :

68,939.45

62,911.15

6,028.30

Held over one year

1935		Purchases	
June 17	\$4000. Yosemite 5% R.R. Bonds 20 $\frac{1}{2}$	840.	
June 17	6000. do 20 $\frac{3}{4}$	1275.	
		<hr/>	
		2115.	
1936		Sales	
Sept. 12	10000 Yosemite 5% Bonds 38 $\frac{1}{2}$	3796.	
		Gain \$1681.00	1344.80
		80% of \$1681.	

(Testimony of George S. Gaylord.)

Respondent's Exhibit A—(Continued)

CAPITAL GAIN SHEET No. 2

Held over 2 years

Purchases

Sept. 23, 1932 88 Masonite Corp., 55 $\frac{1}{2}$\$ 495.00

Sales

Mar. 30, 1936 88 Masonite Corp., 94 $\frac{3}{4}$ 8,306.56

Gain \$7,811.56

60% of gain.....\$4,686.94

Held over 10 years

Purchases

Mar. 1, 1913 4950 Marathon Paper Mills

Co., \$8.21\$40,639.50

See attached for basis of cost price

Sales

1936 All the following are Marathon sales

Jan. 4 350 25\$ 8,750.00

do 8 350 26 9,100.

do 17 350 27 9,450.

Mar. 16 300 27 8,096.25

do 20 300 28 8,396.25

do 20 300 29 8,696.25

Apr. 3 250 30 7,496.88

do 3 175 31 5,422.80

do 3 75 31 2,323.71

May 19 250 33 8,246.88

Jun. 10 250 33 $\frac{1}{4}$ 8,309.38

Dec. 3 1000 42 41,938.82

Dec. 4 500 42 20,969.33

Dec. 11 500 42 20,969.96

4950 168,166.51

Less cost 40,639.50

Gain..... 127,527.01

30% of such gain.....\$ 38,258.10

Total gain, 2 sheets.....\$ 50,342.71

(Testimony of George S. Gaylord.)

Respondent's Exhibit A—(Continued)

SHOWING COST OF MARATHON PAPER
MILLS COM. STOCK

Menasha Printing and Carton Co.

Value Marth 1 1913	\$ 350,000.00
July 1, 1917, invested	152,500.

 \$ 502,500.

Less: Preferred Stock sold, July 1917.....	20,000.
--	---------

 482,500.

Received for 3357 shares Menasha Printing and Carton Company stock, securities of Marathon Paper Mills Co., as follows:

\$1,038,000.00 par 5½% Bonds	\$1,038,000.00
6728 shares Common Stock @ 130.30	876,658.40

 \$1,914,658.40

\$1,038,000.00 equal 54.21% of total received

876,658.40 equals 45.79% of total received

45.79% \$482,500.00 equals \$220,936.75 or Original cost of 6728 shares of common stock or \$32.84 per share.

Stock was divided four for one, making original cost of present common shares \$8.21 per share.

[Figures penciled in margin] :

1917

3357

2

 6714

Explanation of Joint % capital gain
of 2057

Boothe, Gillette & Co.

MEMBER LOS ANGELES STOCK EXCHANGE

224 SOUTH SPRING STREET
LOS ANGELES

TELEPHONE
MICHIGAN 5221

MR GEORGE S. GAYLORD
420 ROBERTSON AVE
PASADENA CALIF

JR ADGT

	QUANTITY		DESCRIPTION	PRICE	DEBITS	CREDITS	BALANCE
	BOUGHT	SOLD					
12/19	8000		ALLEGHENY CORP 5/30 STP	30 1/2	2400 00		
	2000		DO	36 1/2	725 00		
1976							
1/6	6000		DO	30 1/2		2002 60	
	4000		DO	30 1/2		1200 37	
2/7	10000		ASBOS GAS & ELE 4/70	34 1/2	3035 00		
2/16	10000		DO	36 1/2		3704 00	
2/11	10000		DO	36 1/2	3634 44		
2/27	10000		DO	36 1/2		3700 22	
3/4	200		ELECT POW & LT	11 1/2	2000 00		
	200		UNITED GAS CORP	7	1400 00		
3/9	2000		MISSOURI KANSAS TEX 5/57	46 1/2	930 00		
	3000		DO	46	1367 50		
	100		NORTHERN STATES PUR A	35 1/2	3540 00		
3/13		200	ELECTRIC POW & LT	13		2600 34	
		200	UNITED GAS CORP	7 1/2		1475 00	
		100	NORTHERN STATES PUR A	35 1/2		3540 00	
3/16	50		ALLEGHENY CORP PFD 140 SHARES		1050 00		
	50		BALTIMORE & OHIO	14 1/2	725 00		
		2000	MISSOURI KANSAS TEX 5/57	46		2000 40	
3/18	100		TEXAS PACIFIC COAL & OIL	13 1/2	1350 00		
	100		TEXAS PACIFIC LAND TRUST	13 1/2	1350 00		
3/27	50		ILLINOIS CENTRAL	24 1/2	1225 00		
		50	BALTIMORE & OHIO	19 7/8		977 75	
4/13	100		TEXAS PACIFIC LAND TRUST	11 5/8	1100 00		
	100		TEXAS PACIFIC COAL & OIL	12	1207 50		
7/22	100		PACKARD MOTORS	11 1/2	1157 50		
	50		DO	11 1/2	578 75		
	50		UNITED GAS CORP	8 1/2	425 00		
	100		DO	8 1/2	850 00		
		100	TEXAS PACIFIC COAL & OIL	12 1/2		1250 07	
		50	TEXAS PACIFIC COAL & OIL	12 1/2		625 03	
		100	TEXAS PACIFIC LAND TRUST	9 1/2		950 44	
		50	TEXAS PACIFIC LAND TRUST	9 1/2		475 22	

Boothe, Gillette & Co

MEMBER LOS ANGELES STOCK EXCHANGE

314 SOUTH SPRING STREET

LOS ANGELES

TELEPHONE

MICHOEN 6221

MR GEORGE S BAYLORD

JT AGCT

PG 2

QUANTITY	DESCRIPTION	PRICE	DEBITS	CREDITS	BALANCE
1/25	300 SYMINGTON GOULD NEW COM				
	\$1 00 PAR	9 3/8	2812 50		
80	ALLEGHENY PFD \$40 WARR	35		1720 96	
1/27	80 ILLINOIS CENTRAL	25		1832 97	
300	SYMINGTON GOULD NEW COM				
	\$1 00 PAR	9 3/8		2805 30	
1/28	100 PACKARD MOTORS	13		1275 47	
	80 PACKARD MOTORS	12 7/8		621 40	
	80 TEXAS PACIFIC LAND TRUST	28		479 70	
	80 TEXAS PACIFIC COAL & OIL	11 1/2		560 70	
100	UNITED GAS CORP	6 5/8		649 44	
50	UNITED GAS CORP	6 1/4		318 45	
	TOTAL PURCHASES & SALES		34875 35	34005 64	
	DIV 200 TEXAS PAC COAL & OIL			50 00	
	INTEREST CHARGES		31 17		
	TOTAL JOINT AGCT PROFIT				

11-5



(Testimony of George S. Gaylord.)

Respondent's Exhibit A—(Continued)

1936 INTEREST RECEIVED

Pulliam Mortgage Co., Los Angeles	\$163.76
Bank of Montreal	72.39
	<hr/>
	\$236.15

[Endorsed]: T.C.U.S. Filed Apr. 2, 1943.

Mr. Coon: George S. Gaylord's return for 1937.
The Judge: That will be Exhibit B.

(The said 1937 return of George S. Gaylord, so offered and received in evidence, was marked Respondent's Exhibit B, and made a part of this record.)

1937

UNITED STATES

NOT INVESTIGATED

INDIVIDUAL INCOME TAX RETURN

1937

Do not write in this space

(Auditor's Stamp)

Treasury Department

(FORM 1040)

Internal Revenue Service

FOR NET INCOME FROM SALARIES, WAGES, INTEREST, AND
DIVIDENDS OF MORE THAN \$100, AND INCOME FROM
OTHER SOURCES REGARDLESS OF AMOUNTS

For Calendar Year 1937 or Fiscal Year

beginning _____, 1937, and ended _____, 1938

File this return on or before the 15th day of the first month following the close of the taxable year

PRINT NAME AND ADDRESS PLAINLY (See Instruction 10)

GEORGE S. GAYLORD

639 Rosemont Ave

Pasadena

Calif

Do not write in this space

1014

800480

Date 3-17-38

Auditor's Stamp

MAR 3 1938

Calif

9656.84

THE TAX COURT OF THE U. S.

DOCKET # 1014

ADMITTED IN EVIDENCE 1014

APR 2 - 1943

RECEIVED

EXHIBIT B

RESPONDENT'S

INCOME

1. Salaries and other compensation for personal services (from Schedule A) \$ 20736
2. Dividends from domestic and foreign corporations 284319
3. Interest on bank deposits, notes, mortgages, etc. 500
4. Interest on corporation bonds
5. Taxable interest on Government obligations, etc. (from Schedule B)
6. Income (or loss) from partnerships, syndicates, pools, etc. (Furnish name and address):
7. Income from subsidiaries (Furnish name and address):
8. Rents and royalties (from Schedule C) 7519.00
9. Income (or loss) from business or profession (from Schedule D) 3279.30
10. Gain (or loss) from sale or exchange of property (from Schedule F) 29663.00
11. Other income (state nature; use separate schedule if necessary)
12. Total income in items 1 to 11 (enter nontaxable income in Schedule H) 169572.30

DEDUCTIONS

13. Contributions (explain in Schedule G) 235
14. Interest (explain in Schedule G)
15. Taxes (explain in Schedule G) 10422.01
16. Losses by fire, storm, etc. (explain in Schedule G)
17. Bad debts (explain in Schedule G)
18. Other deductions authorized by law (explain in Schedule G) 5517.12
19. Total deductions in items 13 to 18
20. Net income (from 12 minus item 19) 154055.19

COMPUTATION OF TAX

21. Net income (from 20 above)	\$ 154055.19	47	21. Normal tax (4% of item 20)	\$ 6162.21
22. Less: Personal exemption (from Schedule I)	\$ 2500		22. Short on item 21 (see Instruction 28)	7672.21
23. Credit for dependents (from Schedule I)	400		23. Total tax (from 21 plus item 22)	13834.42
24. Balance (net income)		154055.19	24. Less: Income tax paid at source	
25. Less: Interest on Government obligations (from 5)	300		25. Income tax paid to a foreign country or U. S. possession	
26. Earned income credit (from Schedule J)	300		26. Balance of tax (from 23 minus item 24 and 25)	
27. Balance subject to normal tax	\$ 149855.19	47		

NOTE.—One form marked "DUPLICATE COPY" must be filed with this original return and will be returned if duplicate copy is not filed.

(Testimony of George S. Gaylord.)

Respondent's Exhibit B—(Continued)

SCHEDULE F.—GAINS AND LOSSES FROM SALES OR EXCHANGES OF PROPERTY. (See Instruction 10)

[Followed by printed form not filled in]

SCHEDULE G. — EXPLANATION OF DEDUCTIONS CLAIMED IN ITEMS 13, 14, 15, 16, 17, AND 18

Real estate and personal property taxes	\$ 7,797.47
Club dues tax	21.50
California Income Tax	2,540.33
Auto license tax	72.71
	<hr/>
	\$10,432.01
Charities—Community Chest	\$ 160.00
Red Cross	50.00
Constitutional Society	25.00
Paid McKinley & Co., Inc., 71 Broadway, N. Y. City fee financial advisor	\$ 5,000.00
Paid Dockweiler & Dockweiler, attorneys, for advise financial matters	517.10

SCHEDULE H.—NONTAXABLE INCOME OTHER THAN INTEREST REPORTED IN SCHEDULE B.

(See Instruction 12)

[Followed by printed form not filled in]

SCHEDULE I.—EXPLANATION OF CREDITS CLAIMED IN ITEMS 22 AND 23. (See Instructions 22 and 23)

(a) Personal Exemption

Status	Number of Months During Year in Each Status	Credit Claimed
Single, or married and not living with husband or wife		
Married and living with husband or wife	12 yrs.	\$2500.00
Head of family (explain below)		400.00
Reason for credit: 1 grandchild		
Name of dependent and relationship: age 12 years.		

(b) Credit for Dependents

[Followed by printed form not filled in]

(Testimony of George S. Gaylord.)

Respondent's Exhibit B—(Continued)

**SCHEDULE J.—COMPUTATION OF EARNED INCOME
CREDIT.** (See Instruction 26)

[Followed by printed form not filled in]

QUESTIONS

1. State your principal occupation or profession: rancher.
2. Check whether you are a citizen (checked) or resident alien.
3. If you filed a return for the preceding year, to which Collector's office was it sent?: Los Angeles.
4. Are items of income or deductions of both husband and wife included in this return? (See Instruction B): no.
5. State name of husband or wife if a separate return was made, and the Collector's office to which it was sent: Gertrude H. Gaylord, 639 Rosemont Ave., Pasadena, Calif.
6. Check whether this return was prepared on the cash (checked) or accrual basis.
7. Did you at any time during your taxable year own directly or indirectly any stock of a domestic or foreign personal holding company? (Answer "yes" or "no"): no. If answer is "yes", attach schedule required by Instruction M.

AFFIDAVIT. (See Instruction F)

I/we swear (or affirm) that this return (including any accompanying schedules and statements) has been examined by me, us, and to the best of my/our knowledge and belief is a true, correct, and complete return, made in good faith, for the taxable year stated, pursuant to the Revenue Acts of 1936 and 1937 and the regulations issued thereunder.

GEORGE S. GAYLORD

(Signature) (See Instruction F)

If this is a joint return (not made by agent) it must be signed by both husband and wife and sworn to before a proper officer by the spouse preparing the return, or if neither or both prepare the return then by both spouses.

Subscribed and sworn to by George S. Gaylord before me this 3rd day of March, 1938.

(Seal)

Illegible

(Signature and title of officer administering oath)

A return made by an agent must be accompanied by power of attorney. (See Instruction F.)

(Testimony of George S. Gaylord.)

Respondent's Exhibit B—(Continued)

G. S. G.

Held under one year

Bought

Jan. 7, 1937	100 Phillips Pet., 52	\$5,223.25
Jan. 4, 1937	100 Cont. Oil Del., 42½	4,270.00
Oct. 20, 1937	172-86/100 Mara. Pfd. (Div. \$3.00 per share on Com.)	17,286.00
Jan. 11, 1937	\$9,000—Third Ave. 5-1960, 41	3,713.85
Jan. 11, 1937	\$10,000—Third Ave. 5-1960, 41	4,126.50
Jan. 12, 1937	\$1,000—Third Ave. 5-1960, 40¾	410.15
Mar. 15, 1937	\$18,000—Third Ave. 5-1960, 39	7,066.60
Mar. 15, 1937	\$2,000—Third Ave. 5-1960, 38½	775.00
		<hr/>
		42,871.35

Sold

Sept. 14, 1937	100 Phillips Pet., 54	5,368.39
Sept. 23, 1937	100 Cont. Oil, 39⅛	3,888.17
Nov. 16, 1937	64 Marathon Pfd., 89 } 86	5,692.80
Nov. 16, 1937	58 " " 90 } 172—	5,217.10
Nov. 18, 1937	50 - 86/100 " 89 } 100	4,523.99
Aug. 24, 1937	5,000 Third Ave. 5s, 15¼	747.98
July 27, 1937	10,000 Third Ave. 5s, 17	1,670.96
July 27, 1937	5,000 Third Ave. 5s 17½	860.48
Dec. 28, 1937	2,000 Third Ave. 5s, 5½	106.69
Dec. 28, 1937	8,000 Third Ave. 5s, 5⅜	416.79
Dec. 28, 1937	10,000 Third Ave. 5s, 5⅜	520.98
		<hr/>
		29,014.33

Bot \$42,871.35

Sold 29,014.33

 Loss 13,857.02

(Testimony of George S. Gaylord.)

Respondent's Exhibit B—(Continued)

G. S. G.

Held one year less than two—80%

Bought—

June 8, 1936—250 Sundstrand Meh. Tool, 15 $\frac{3}{4}$	\$ 3,937.50
Oct. 26, 1936—200 United Corp, 7 $\frac{3}{8}$	1,495.00
Oct. 26, 1936—800 United Corp., 7 $\frac{1}{2}$	6,080.00

\$11,512.50

Sold—

Aug. 4, 1937—100 Rites Sund. M. Tool, 3/32.....	9.33
Aug. 4, 1937—150 Rites Sund. M. Tool, 3/32.....	9.97
Sept. 3, 1937—100 Sundstrand M. Tool, 20	1,982.21
Sept. 28, 1937—150 Sundstrand M. Tool, 17 $\frac{1}{2}$	2,598.33
Dec. 28, 1937—1,000 United Corp., 31 $\frac{1}{8}$	2,954.93

\$ 7,554.77

Bought\$11,512.50

Sold 7,554.77

\$ 3,957.73

80%Loss\$ 3,166.1840

G. S. G.

Held between 2 and 5 years—60%

Bought—Shares

May 31, 1933—1400 Southland Royalties, 47 $\frac{1}{8}$	\$ 6,825.00
---	-------------

Sold—

Sept. 23, 1937—100 Southland Royalties, 8 $\frac{3}{4}$	\$ 861.78
Sept. 23, 1937—200 Southland Royalties, 8 $\frac{5}{8}$	1,698.56
Sept. 23, 1937—1100 Southland Royalties, 8 $\frac{1}{2}$	9,204.59

\$11,764.93

Sold\$11,764.93

Bought 6,825.00

4,939.93

60%Gain\$ 2,963.958

(Testimony of George S. Gaylord.)

Respondent's Exhibit B—(Continued)

G. S. G.

Held more than 5 years, less than 10 years—40%

Bought—

Feb. 4, 1928—\$10,000 City of Ashville, N. C., 4¾
 S1966-108,401\$10,840.10

Sold—

Through recapitalization received \$10,000.00 City
 of Ashville Bonds due July 1, 1976, paying 1%.

Sold the above:

July 14, 1937—34\$ 3,379.17

\$ 7,460.93

40%

Loss.....\$2,984.372

G. S. G.

Held over 10 years—30%

Bought—

See attached establishing value, as per previous
 years, Marathon Com. at \$8.21 per share as of
 March 1, 1913.

Sold—

Feb. 9, 1937— 500 Marathon Com., 65\$ 32,493.75
 March 12, 1937— 100 Marathon Com., 78 7,767.58
 March 17, 1937—2,000 Marathon Com., 78 155,963.39
 March 17, 1937— 100 Marathon Com., 78½ 7,818.20
 Apr. 1, 1937— 100 Marathon Com., 80 7,969.75

2,800*

Cost—2800 shares @ \$8.21 per share 22,988.00

189,024.67

30%

\$ 56,707.40

* In pencil.

(Testimony of George S. Gaylord.)

Respondent's Exhibit B—(Continued)

SHOWING COST OF MARATHON PAPER MILLS
COM. STOCK

Menasha Printing and Carton Co.

Value Mar. 1, 1913\$ 350,000.00

July 1, 1917, invested 152,500.00

\$ 502,500.00

Less preferred stock sold, July, 1917 20,000.00

\$ 482,500.00Received for 3,357 shares Menasha Printing and Carton Co.
stock, securities of Marathon Paper Mills Co., as follows:

\$1,038,000.00 par 5½% Bonds\$1,038,000.00

6,728 shares Common stock @ \$130.30 876,658.40

\$1,914,658.40

\$1,038,000.00 equals 54.21% of total received.

\$876,658.40 equals 45.79% of total received.

45.79% of \$482,500.00 equals \$220,936.75 or original cost of
6,728 shares of common stock or \$32.84 per share.Stock was divided four for one, making original cost of present
common shares \$8.21 per share.

CAPITAL GAIN TOTALS

	Loss	Gain
Held under one year	\$13,857.02	
Held over one year, less than 2 years..	3,166.18	
Held over 2 years, less than 5 years.....		\$ 2,963.96
Held over 5 years, less than 10 years....	2,984.37	
Held over 10 years		56,707.40
	<hr/>	<hr/>
	\$20,007.57	\$59,671.36
Loss		20,007.57
	<hr/>	<hr/>
Net gain		\$39,663.79

(Testimony of George S. Gaylord.)

Respondent's Exhibit B—(Continued.)

1937

United States

1937

SCHEDULE OF FARM INCOME AND EXPENSES

Treasury Department Form 1040F Internal Revenue Service

Attach This Form
to Your Income
Tax Return Form
1040 and File It
With the Collector
of Internal Revenue
for Your District

For Calendar Year 1937
Or for year beginning.....
1937, and ended....., 1938

Name
GEORGE S. GAYLORD

Address
639 Rosemont Ave.,
Pasadena, Calif.

Fill in Pages 1 and
3 if Your Accounts
Are Kept on a Cash
Basis. If You Keep
Books on an Ac-
crual Basis and
Desire to Use This
Form, Fill in Pages
2 and 3 Instead

FARM INCOME FOR TAXABLE PERIOD

1. Sale of Livestock and Produce Raised			2. Sale of Crops and Other Produce Raised		
Kind of animals	Quantity	Amount	Kind of crop	Quantity	Amount
Calves		\$ 55.00	Alfalfa		\$536.96
Hogs		591.90	Miscel.		61.72
Geese		21.20			
Fruit		138.04	Total.....		\$598.68
Eggs		296.04	(Enter on line 2)		
Total.....\$1,102.18					
(Enter on line 1)					

(Testimony of George S. Gaylord.)

Respondent's Exhibit B—(Continued)

SUMMARY OF INCOME AND EXPENSES COMPUTED ON
A CASH RECEIPTS AND DISBURSEMENTS BASIS

1. Sale of livestock and produce raised.....	\$ 1,102.18
2. Sale of crops and other produce raised.....	598.68
3. Other receipts .....	.....
4. Sale of livestock or other items purchased.....	.....
5. Gross Profits	\$ 1,700.86
7. Expenses (column 1, page 3).....	\$ 3,433.66
8. Expenses (column 2, page 3).....	.....
9. Repairs (from page 3).....	42.54
10. Depreciation (from page 3).....	503.96
11. Total Expenses	\$ 3,980.16
6. Net farm profit (line 5 minus line 11) to be re- ported in item 9 on Form 1040.....	\$ 2,279.30
[Stamped]: Received with remittance Mar. 3, 1938.	

FARM INVENTORY FOR INCOME COMPUTED
ON AN ACCRUAL BASIS

[Followed by printed form not filled in]

SUMMARY OF INCOME AND EXPENSES COMPUTED
ON AN ACCRUAL BASIS

[Followed by printed form not filled in]

FARM EXPENSES FOR TAXABLE YEAR

Items	(1) Amount
Hired help for farm	\$ 1,272.48
Feed, hay, straw, etc.	1,382.50
Seed, plants, etc.	46.63
Fertilizers and spraying materials	55.00
Fuel and oil for farm work	330.89
Barrels, bags, crates, and twine.....	11.63
Water rent, Electric Power	161.75
Manure	101.02
Insurance	71.76
Total.....	\$ 3,433.66
(Enter on line 7)	

(Testimony of George S. Gaylord.)

Respondent's Exhibit B—(Continued)

REPAIRS AND DEPRECIATION

Description (If buildings, state the material of which constructed)	Date Acquired or Con- structed	Age When Acquired	Probable Life After Acqurement	Cost or Value as of March 1, 1913, Whichever Greater (Exclusion of land) (Indicate basis)	Repairs	Depreciation Charged Off	
						Previous Years	This Year
Farm buildings, wood	1936	New	25 yrs.	\$ 2,500.00	\$ 42.54	\$ 0	\$ 100.00
Farm machinery and tools	1935		15 yrs.	2,025.13		0	141.75
Farm fences, drains, ditches, etc.							
Truck	Oct. 1937	New	5 yrs.	1,049.26	}		2 mo. 34.96
Tractor	1936	10 yrs.	4 yrs.	909.00		0	227.25
Totals.....				\$	\$42.54 (Enter on line 9)	\$	\$ 503.96 (Enter on line 10)

[Endorsed]: T.C.U.S. Filed Apr. 2, 1943.

(Testimony of George S. Gaylord.)

Mr. Coon: George S. Gaylord's return for 1938.

The Judge: Exhibit C.

(The said 1938 return of George S. Gaylord so offered and received in evidence, was marked Respondent's Exhibit C, and made a part of this record.)

Treasury Department

FORM 1040

Internal Revenue Service

Page 1

1938 UNITED STATES INDIVIDUAL INCOME TAX RETURN 1938

(Auditor's Stamp)

FOR NET INCOMES OF MORE THAN \$5,000 FROM SALARIES, WAGES,
DIVIDENDS, INTEREST, ANNUITIES, AND FOR INCOMES FROM
OTHER SOURCES REGARDLESS OF AMOUNTS

For Calendar Year 1938

or fiscal year beginning 1938, and ended 1938

(Before Preparing This Return, Read the Instructions Carefully)

To be filed with the Collector of Internal Revenue for your district not later than the 15th day of the 1st month following the close of your taxable year

PRINT NAME AND ADDRESS PLAINLY (See Instructions 12)

J. J. JORD

(Please give street address of home, if a joint return)

639 Roosevelt Avenue

(Street and number, or rural route)

Residence Los Angeles California

(Post office)

(County)

(State)

(Do not use these spaces)

No. 1074

E. 105280

Calif

(Collector's Stamp)

RECEIVED

FEB 24 1939

J.V.

5746.10

INCOME

1. Salaries and other compensation for personal services. (From Schedule A)	6,513.70	2
2. Dividends	1,788.10	40
3. Interest on bank deposits, notes, mortgages, etc.		
4. Interest on corporation bonds		
5. Taxable interest on Government obligations, etc. (From Schedule B)		
6. Income (or loss) from partnerships, syndicates, pools, etc. (other than capital gains or losses). (From Schedule C)		
7. Income from fiduciaries. (From Schedule D)		
8. Rents and royalties. (From Schedule E)		
9. Income (or loss) from business or profession. (From Schedule F)		
10. (a) Net short-term gain from sale or exchange of capital assets. (From Schedule G)	13,453.79	3
(b) Net long-term gain (or loss) from sale or exchange of capital assets. (From Schedule G)	3,422.63	1
(c) Net gain (or loss) from sale or exchange of property other than capital assets. (From Schedule G)	3,054.66	
11. Other income (including income from annuities). (Other sources are reported on Schedule H, if necessary)	36,731.48	
12. Total income in items 1 to 11. (Enter taxable income in Schedule D)	856,218.50	

DEDUCTIONS

13. Contributions paid. (Explain in Schedule H)	257.50	
14. Interest. (Explain in Schedule H)	616.25	
15. Taxes. (Explain in Schedule H)	7,355.31	
16. Losses from fire, storm, shipwreck, or other casualty, or theft. (Explain in Schedule H)		
17. Bad debts. (Explain in Schedule H)		
18. Other deductions authorized by law. (Explain in Schedule H)	5,253.34	
19. Total deductions in items 13 to 18	13,482.40	
20. Net income (item 12 minus item 19)	842,736.10	

COMPUTATION OF TAX

21. Net income (item 20 above)	\$ 842,736.10	21. Normal tax (4% of item 20)	\$ 1,509.14
22. Less: Personal exemption (From Schedule I-1)	2,500.00	22. Surplus on item 21. (See Instructions 22)	5,509.14
23. Credit for dependents. (From Schedule I-2)	2,500.00	23. Total (item 21 plus item 22)	\$ 6,736.10
24. Balance (surplus net income)	\$ 40,136.10	24. Total tax (item 23, or if you had a net long-term capital gain or loss, enter line 14, Schedule F)	\$ 6,736.10
25. Less: Income tax paid at source, etc. (See Instructions 25)		25. Less: Income tax paid at source, etc. (See Instructions 25)	
26. Earned income credit. (From Schedule E-1 or E-2)	300.00	26. Balance of tax (item 24 minus item 25 and 26)	
27. Balance subject to normal tax	\$ 39,836.10		

NOTE—One form marked "DUPLICATE COPY" must be filed with this original return (25 will be returned if duplicate copy is not filed).

(Testimony of George S. Gaylord.)

Respondent's Exhibit C—(Continued)

SCHEDULE A.—INCOME RECEIVED FROM OTHERS
CONSISTING OF SALARIES, WAGES, FEES, AND
OTHER COMPENSATION FOR PERSONAL SERVICES
(See Instruction 1)

[Followed by printed form not filled in]

SCHEDULE B.—INTEREST ON GOVERNMENT OBLIGA-
TIONS, ETC. (See Instruction 5)

[Followed by printed form not filled in]

SCHEDULE C.—INCOME FROM RENTS AND
ROYALTIES. (See Instruction 8)

See attached schedule.

SCHEDULE D.—PROFIT (OR LOSS) FROM BUSINESS
OR PROFESSION. (See Instruction 9)

[Followed by printed form not filled in]

SCHEDULE E.—EXPLANATION OF DEDUCTION FOR
DEPRECIATION CLAIMED IN SCHEDULES
C, D, F, AND G

[Followed by printed form not filled in]

Subsidiary F—GAINS AND LOSSES FROM SALES OR EXCHANGES OF CAPITAL ASSETS. (See Instruction 101)

1. Kind of property (If necessary, attach statement of description, attach not shown below)	2. Date acquired	3. Date sold	4. Gross sales price (book value)	5. Cost or other basis	6. Expenses of sale and cost of improvements, other than depreciation, amortization or depletion (See Instructions 1 and 2)	7. Depreciation allowed for other than depreciation, amortization or depletion (See Instructions 1 and 2)	8. Gain or loss (columns 4 plus column 6, minus column 5 and 7)	9. Tax on gain or loss (See Instructions 1 and 2)	10. Net gain or loss
	Mo. Day Year	Mo. Day Year							
SHORT-TERM CAPITAL GAINS AND LOSSES—ASSETS HELD NOT MORE THAN 12 MONTHS									
Item a			5,922 16	5,1000			822 16		822 16
b			13,015 00	11,952 50			1,062 50		1,062 50
Total net short-term capital gain or loss (enter in line 1, column 2 of summary below)									1,884 66

LONG-TERM CAPITAL GAINS AND LOSSES—ASSETS HELD FOR MORE THAN 12 MONTHS BUT NOT FOR MORE THAN 36 MONTHS

Item (c)	16,102 52	23,711 0	12,271 88	8,181 25
Total net long-term capital gain or loss (enter in line 2, column 2 of summary below)				

LONG-TERM CAPITAL GAINS AND LOSSES—ASSETS HELD FOR MORE THAN 36 MONTHS

Item (d)	11,953 00	12,671 50	711 30	355 65
(e)	13,512 57	27,093 00	10,774 93	53,074 69
(f)	12,050 51	20,100 00	16,339 53	8,159 77
Total net long-term capital gain or loss (enter in line 2, column 2 of summary below)				16,731 40

SUMMARY OF CAPITAL NET GAINS OR LOSSES

1. Character	2. Net gain or loss to be taken into account from column 10 above		3. Net gain or loss to be taken into account from participating and "common trust funds"		4. Total net gain or loss to be taken into account on columns 2 and 3 of this summary	
	Gain	Loss	Gain	Loss	Gain	Loss
1. Total net short-term capital gain or loss (enter in line 10 (a), page 1, amount of gain shown in column 4)	1,056	68	1	1	1,056	68
2. Total net long-term capital gain or loss (enter in line 10 (b), page 1, amount of gain or loss shown in column 4)	16,731	43	1	1	16,731	43

State the family, fiduciary, or business relationship to you, if any, of purchaser of any of the above items: None
 If any of the above items were acquired by you other than by purchase, explain fully how acquired: See note below

COMPUTATION OF ALTERNATIVE TAX

(To be used only in the case of a net long-term capital gain or loss)

1. Net income (from 28, page 1)	42,636 10	10. Normal tax (4% of line 9)	1,705 44
2. (a) Net long-term capital gain (from 10 (b), page 1)	16,731 40	11. Surplus to line 6 (See Instruction 25)	
(b) Net long-term capital loss (from 10 (c), page 1)		12. Normal tax (line 10 plus line 11)	1,705 44
3. Ordinary net income (line 1 minus line 2 (a) or line 1 plus line 2 (b))	15,904 62	13. (a) 30% of net long-term capital gain (70% of line 2 (a))	11,019 44
4. Line 1 minus exemption (from Schedule J-1)	12,500 00	(b) 30% of net long-term capital loss (30% of line 2 (b))	
5. Credit for dependency (from Schedule J-2)	2,500 00	14. Alternative tax (line 12 plus line 13 (a) or line 12 minus line 13 (b))	11,019 44
6. Balance (positive net income)	13,000 62	15. Total normal tax and surtax (from 28, page 1)	1,705 44
7. Line 1 minus tax on investment obligations, etc. (See Instruction 23)		16. Tax liability (if a net long-term capital gain, on line 2 (a), enter line 14 or line 15, whichever is the lesser; if a net long-term capital loss, on line 2 (b), enter line 14 or line 15, whichever is the greater). (Enter on line 16, page 1)	1,705 44
8. Excess income credit (from Schedule K-1 or K-2)	300 00		
9. Balance subject to normal tax	13,000 62		

Subsidiary G—GAINS AND LOSSES FROM SALES OR EXCHANGES OF PROPERTY OTHER THAN CAPITAL ASSETS (See Instruction 10)

1. Kind of property	2. Date acquired	3. Gross sales price (book value)	4. Cost or other basis	5. Expenses of sale and cost of improvements, other than depreciation, amortization or depletion (See Instructions 1 and 2)	6. Depreciation allowed for other than depreciation, amortization or depletion (See Instructions 1 and 2)	7. Gain or loss (columns 3 plus column 5, minus column 4 and 6)
Total net gain (or loss) (enter in line 10 (a), page 1)						

State the family, fiduciary, or business relationship to you, if any, of purchaser of any of the above items: None
 If any of the above items were acquired by you other than by purchase, explain fully how acquired:
 Item g acquired in reorganization - basis March 1, 1915 value.

(Testimony of George S. Gaylord.)

Respondent's Exhibit C—(Continued)

SCHEDULE H.—EXPLANATION OF DEDUCTIONS
CLAIMED IN ITEMS 13, 14, 15, 16, 17, AND 18

Item 13—Contributions:

Community Chest	\$ 110.00
Cal. Med. Civ. League	72.50
Better Am. Fed.	50.00
Times Flood Relief	25.00
	<hr/>
	\$ 257.50

Item 14—Interest:

Estate J. N. Janes	\$ 616.25
--------------------------	-----------

Item 15—Taxes:

Real estate, etc.	\$4,523.43
Lighting assess.	26.60
Tax, oil royalty	12.20
Club dues tax	23.50
State income tax	2,769.58
	<hr/>
	\$7,355.31

SCHEDULE I.—NONTAXABLE INCOME OTHER THAN
INTEREST REPORTED IN SCHEDULE B.

(See Instruction 12)

[Followed by printed form not filled in]

SCHEDULE J.—EXPLANATION OF CREDITS CLAIMED
IN ITEMS 22 AND 23. (See Instructions 22 and 23)

(1) Personal Exemption

Status	Number of months during the year in each status	Credit claimed
Single, or married and not living with husband or wife		
Married and living with husband or wife	12	\$2,500.00
Head of family (explain below).....		

(2) Credit for Dependents

[Followed by printed form not filled in]

(Testimony of George S. Gaylord.)

Respondent's Exhibit C—(Continued)

SCHEDULE K.—COMPUTATION OF EARNED INCOME
CREDIT. (See Instruction 26)

[Followed by printed form not filled in]

QUESTIONS

1. State your principal occupation or profession: Investments.
2. Check whether you are a citizen (checked) or a resident alien.
3. If you filed a return for the preceding year, to which Collector's office was it sent?: Los Angeles.
4. Are items of income or deductions of both husband and wife included in this return? (See Instruction A): No.
5. State name of husband or wife if a separate return was made; personal exemption, if any, claimed thereon; and the Collector's office to which it was sent: Gertrude H. Gaylord, Los Angeles—no personal exemp. cl.
6. Check whether this return was prepared on the cash (checked) or accrual basis.
7. Did you at any time during your taxable year own directly or indirectly any stock of a foreign corporation or a personal holding company as defined by section 402? (Answer "yes" or "no"): No. (If answer is "yes," attach schedule required by Instruction M.)

AFFIDAVIT. (See Instruction F)

I/we swear (or affirm) that this return (including any accompanying schedules and statements) has been examined by me/us, and to the best of my/our knowledge and belief is a true, correct, and complete return, made in good faith, for the taxable year stated, pursuant to the Revenue Act of 1938 and the regulations issued under authority thereof.

GEORGE S. GAYLORD,

(Signature) (See Instruction F)

(If this is a joint return (not made by agent), it must be signed by both husband and wife. It must be sworn to before a proper officer by the spouse preparing the return. If neither or both prepare the return, it must be sworn to by both spouses.)

(Testimony of George S. Gaylord.)

Respondent's Exhibit C—(Continued)

Subscribed and sworn to by George S. Gaylord before me this
23rd day of February, 1939.

ALICE F. JACKSON,

Notary Public.

(Signature and title of officer administering oath)

My Commission expires Sept. 19, 1939.

A return made by an agent must be accompanied by power
of attorney. (See Instruction F.)

AFFIDAVIT. (See Instruction F)

(If this return was prepared for you by some other person, the
following affidavit must be executed)

I/we swear (or affirm) that I/we prepared this return for the
person or persons named herein and that the return (including
any accompanying schedules and statements) is a true, correct,
and complete statement of all the information respecting the in-
come tax liability of the person or persons for whom this return
has been prepared of which I/we have any knowledge.

JAMES W. BONTEMS,

(Signature of person preparing the return)

JAMES W. BONTEMS & CO.

(Name of firm or employer, if any)

215 W. 6th St., Los Angeles.

Subscribed and sworn to before me this 18th day of Feb.,
1939.

(Seal)

DOROTHY SPECKELS

Notary Public.

In and for the County of Los Angeles, State of California.

(Signature and title of officer administering oath)

My commission expires Jan. 12, 1943.

(Testimony of George S. Gaylord.)

Respondent's Exhibit C—(Continued)

GERTRUDE H. GAYLORD

Schedule C—Income from Rents and Royalties

Property	Rent Received	Depreciation	Repairs	Other Expense	Net Profit
1/2 1. Harlingen—business	\$ 1,764.12	\$ 600.00			\$ 1,164.12
1/3 2. Amarillo—business	965.01	200.00			765.01
1/3 3. Santa Monica—business	1,856.66				1,856.66
1/4 4. Alhambra—business	697.41	77.75			619.66
100 5. LaJolla—house	37.42	200.00			162.58
100 6. Neenah—house	712.50	450.00			262.50
	<u>6,033.12</u>	<u>1,527.75</u>			<u>4,505.37</u>

Schedule E—Depreciation claimed in Schedule C

Property	Date Acquired	Est. Rem. Life	Cost	Deprn. Prior Yrs.	Rem. Cost	Deprn. This Yr.
1. Brick and Hol. tile	1937	20 Y	12,000.00		12,000.00	600.00
2. Brick	1938	8 Y	3,200.00		3,200.00	200.00
4. Stucco	1938	20 Y	3,110.00		3,110.00	77.75
5. Frame	1937	10 Y	2,000.00		2,000.00	200.00
6. Brick, Veneer & Wood.....	1931	33 Y	30,000.00	5,400.00	24,600.00	450.00
			<u>50,310.00</u>	<u>5,400.00</u>	<u>44,910.00</u>	<u>1,527.75</u>

Testimony of George S. Gaylord.)

Respondent's Exhibit C—(Continued)

GEORGE S. GAYLORD—1938

Schedule C—Income from Rents and Royalties

Property	Rent Received	Depreciation	Repairs	Other Expense	Net Profit
100 1. Oil Station Lease	1,129.33				1,129.33
100 2. Hollywood—Stores & Apts.	7,609.52	1,000.00		70.70	6,538.82
100 3. Mushroom sheds	3,206.87	1,230.00	168.20*		1,808.67
1/3 4. Santa Mon.—Business	1,856.66				1,856.66
1/2 5. Alhambra—Business, †1938	1,394.82	155.50*			1,239.32
1/3 6. Anarillo—Business, †1938	965.01	200.00			765.01
100 7. Sign rental	37.50				37.50
100 8. Swan Oil Royalty	73.19	20.13			53.06
100 9. Chicago Trust Prop., 1/16 Int.....	59.34			34.52	24.82
	<u>16,332.24</u>	<u>2,605.63</u>	<u>168.20</u>	<u>105.22</u>	<u>13,453.19</u>

* Pencil notation illegible.

† Figures in pencil.

GEORGE S. GAYLORD—1938

Schedule E—Depreciation Claimed in Schedule C

Property	Date Acquired	Est. Rem. Life	Cost	Deprn. Prior Yrs.	Rem. Cost	Deprn This Yr.
2. Brick and wood.....	1928	3 Y	35,000.00	31,999.99	3,000.00	1,000.00
3. Wood	1934	7 Y	10,500.00	1,890.00	8,610.00	1,230.00
5. Stucco	1938	20 Y	6,220.00		6,220.00	155.50
6. Brick	1938	8 Y	3,200.00		3,200.00	200.00
8. Oil depletion 27 1/2 of 73.19						20.13
			<u>54,920.00</u>	<u>33,889.99</u>	<u>21,030.00</u>	<u>2,605.63</u>

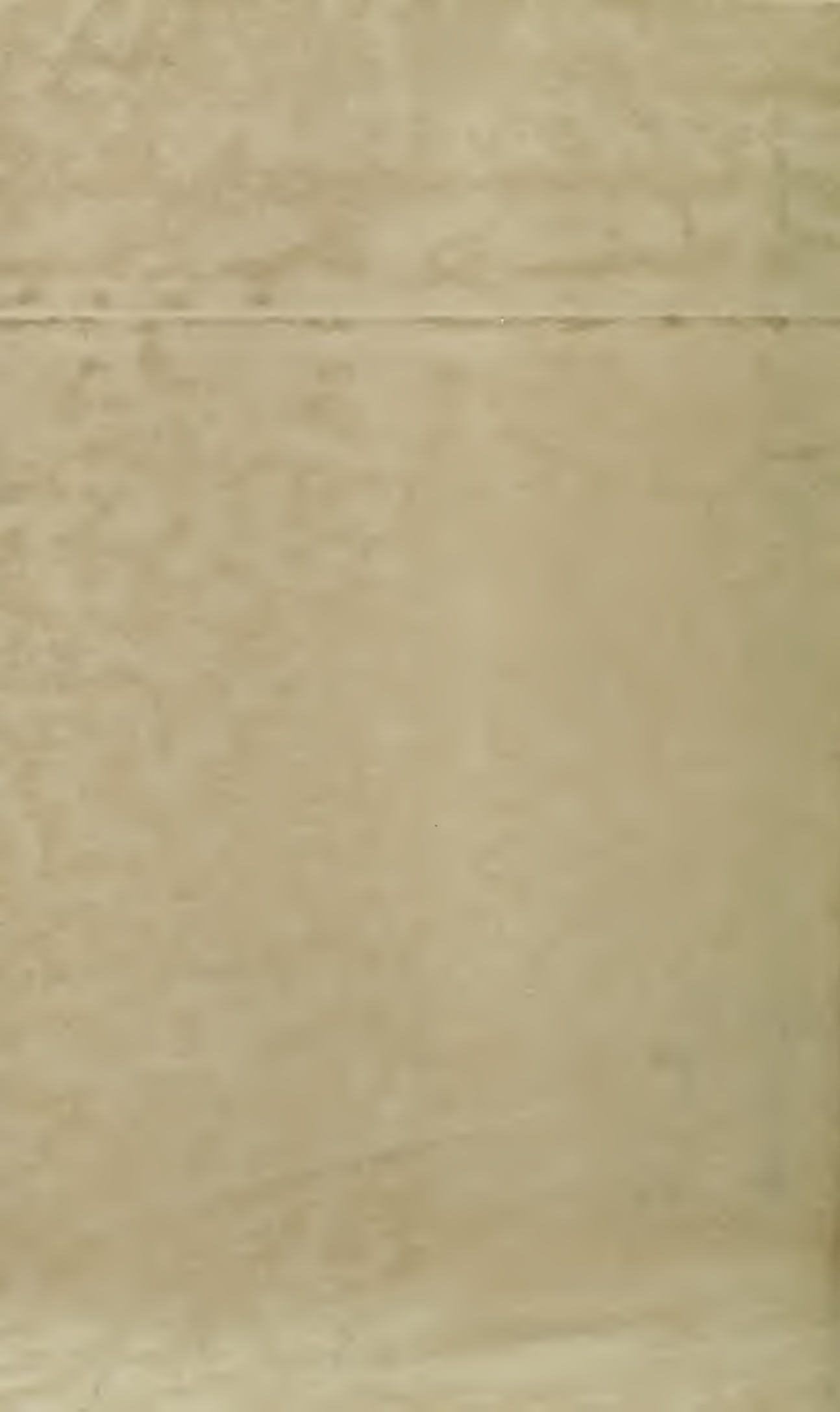
[Pencil notation illegible]

GEORGE S. GAYLORD

Schedule F - Gains and Losses from Sales or Exchanges of
Capital Assets - 1938

No Shares	Stock	Date Acq.	Date Sold	Sales Price	Cost or basis	Profit or loss
(a) 100	Lake Shore Mine	Apr. 22-38	Oct. 24-38	5,019.00	5,100.00	81.00
700	Kirtland H.B.G.M.	Mar. 19			570.50	
100	"	"			76.50	
200	"	21	Apr. 9-38	893.16	163.00	83.16
				5,912.16	5,910.00	2.16
(b) 200	McIntyre Porc.	Sept. 17-37	Apr. 22-38	7,996.00	6,840.00	1,156.00
100	Lake Shore Mine	Nov. 10	Oct. 24	5,019.00	5,122.50	103.50
				13,015.00	11,962.50	1,052.50
(c) 100	Seaboard Oil	Jan. 5-37	Nov. 17-38	2,170.65	4,170.00	1,999.35
100	Standard Ind.	"	"	2,811.74	4,757.50	1,945.76
100	Lou. L. & Ex.	8	"	682.94	1,455.30	772.36
100	Creole Pet.	"	"	2,262.75	3,758.10	1,495.35
500	Borg Piston Ring	May 4	Dec. 23	1,397.26	6,000.00	4,602.74
1,000	Cook Co. Ser. B	Sept. 8-36	May 3	1,050.00	1,045.00	5.00
1,000	Illinois Rel.	"	Apr. 30	1,085.00	1,102.50	17.50
1,000	Kenosha H. Sch.	"	"	1,035.00	1,160.00	125.00
1,000	Pasadena M. Imp.	"	29	1,072.40	1,095.00	22.60
17	Babcock & Wilcox	"	June 8	389.65	623.00	233.35
7	Gen. Edison Co.	"	6	172.24	182.50	10.26
4	Dia. Match Com.	"	8	101.03	136.00	34.97
5	" Pfd.	"	7	171.57	180.63	9.06
28	Elgin Nat'l Watch	"	"	451.29	1,036.00	584.71
3	State Pawners So.	"	"	396.85	414.00	17.15
4	Kennecott Copper	"	6	177.63	192.00	14.37
3	Anasconda Copper	"	"	66.40	118.87	52.47
5	Ill. Bell Tel.	"	"	426.85	430.00	3.15
8	Pullman	"	7	181.27	463.00	281.73
				16,102.52	28,374.40	12,271.88
(d) 100	McIntyre Porc.	Mar. 17-36	Apr. 22-38	4,021.00	4,170.60	149.60
100	"	20	"	7,942.00	4,258.10	561.70
100	"	"	"		4,245.60	
				11,963.00	12,674.30	711.30

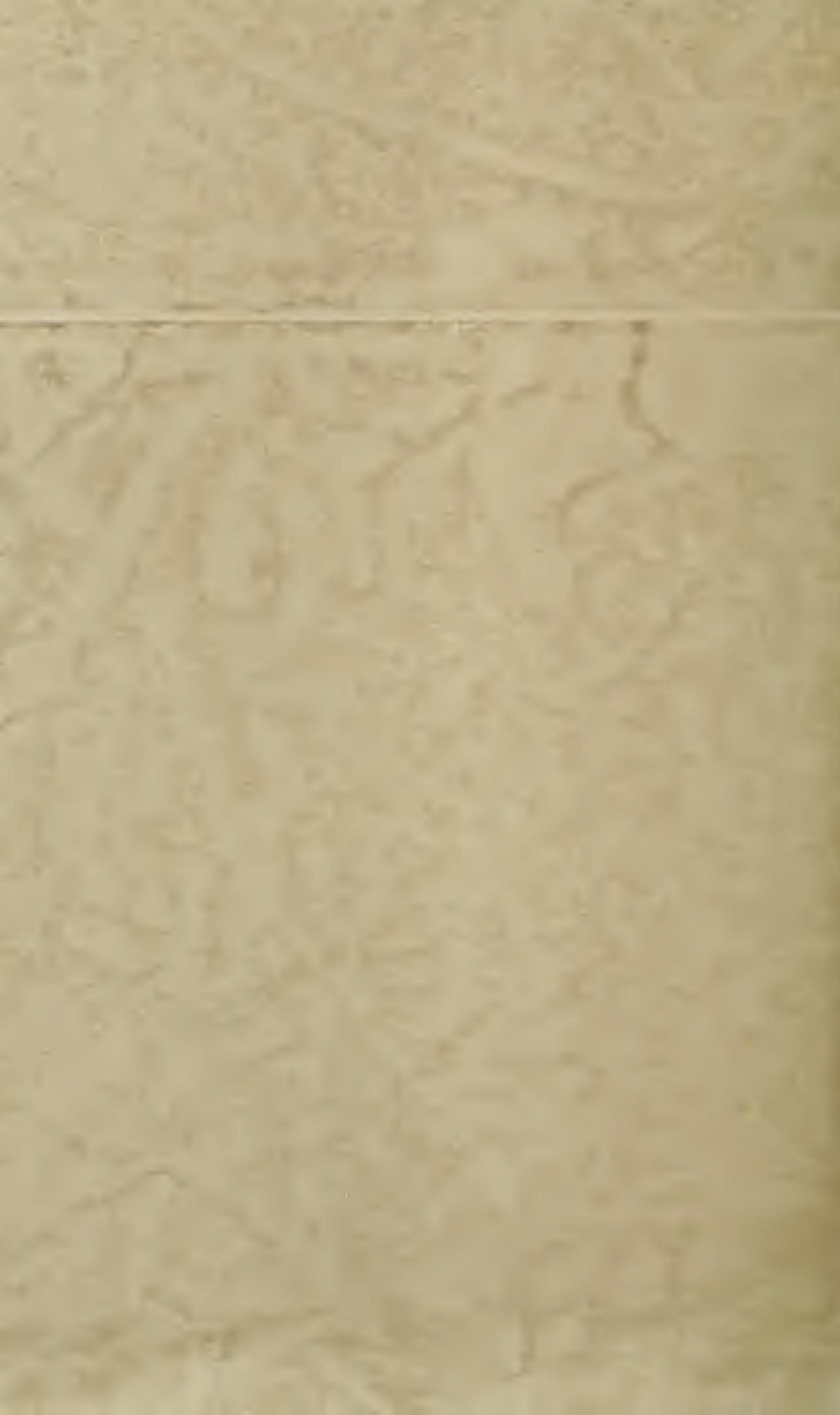
C7



GEORGE S. GAYLORD

No Shares	Stock	Date Acq.	Date Sold	Sales Price	Cost or Basis	Profit or Loss
(e) 100	Marathon P. Mills		June 14-38	11,879.00 ~		
200			20	6,139.50 ~		
200				6,189.50 ~		
100			25	3,016.04 ~		
100				3,041.04 ~		
100			July 22	4,182.25 ~		
100			Aug. 5	4,614.92 ~		
100			16	22,743.75 ~		
200			21	14,090.61 ~		
200			25	4,692.01 ~		
100			Sept. 2	23,368.75 ~		
200			9	9,197.50 ~		
200			12	4,650.50 ~		
100			30	4,226.75 ~		
100				8,553.50 ~		
200			Nov. 18	4,256.75 ~		
100				134,842.37	27,093.00	107,749.37
(f) 1	Lets Pasadena	Mar. 16-31	Nov. 1938	1,580.00	2,453.06	873.06
(g) 500	El Dorado		Oct. 31-31		6,112.50 ~	
100			Nov. 7		2,237.50 ~	
100			10		2,112.50 ~	
100			13		2,050.00 ~	
100			17	Reduced 1 for 3	1,862.50 ~	
100			20	March 29, 1932	1,712.50 ~	
100					1,762.50 ~	
100			Dec. 11		1,225.00 ~	
100			31		1,137.50 ~	
25	6/100	Fractions sold	June 5-1933	8.50		
100			June 6-33		196.04 ~	
			Dec. 23-1938	4,060.51 ~		
				4,069.01	20,408.54	16,339.53

C-5



(Testimony of George S. Gaylord.)

Respondent's Exhibit C—(Continued)

SHOWING COST OF MARATHON PAPER MILLS
COM. STOCK

Menasha Printing and Carton Co.:

Value Mar. 1, 1913	\$ 350,000.00	
July 1, 1917, invested	152,500.00	
		<hr/>
	\$ 502,500.00	
Less preferred stock sold, July, 1917	20,000.00	
		<hr/>
	\$ 482,500.00	

Received for 3,357 shares Menasha Print-
ing and Carton Co. stock, securities of
Marathon Paper Mills Co., as follows:

\$1,038,000.00 par 5½% Bonds	\$1,038,000.00	54.21*
6,728 shares common stock @ \$130.30..	876,658.40	45.79*
		<hr/>
	\$1,914,658.40	100%*

* Figures in pencil.

\$ 1,038,000.00 equals 54.21% of total received

\$ 876,658.40 equals 45.79% of total received

45.79% of \$482,500.00 equals \$220,936.75 or original cost of
6,782 shares of common stock or \$32.84 per share.Stock was divided four for one, making original cost of present
common shares \$8.21 per share.

GEORGE S. GAYLORD

Item 18—Other Deductions 1938

Deductions claimed are as follows:

Taxpayer purchased a one-third interest in business block at Santa Monica, California. After renting property for approximately six months, additional space was required by some of the tenants. After consultation with contractors, it was determined that the building should be razed and a new building erected. The proportionate cost of the interest in the old building as determined from the tax bill valuations of real estate and improvements at the date nearest the date of purchase was\$5,076.11

(Testimony of George S. Gaylord.)

Respondent's Exhibit C—(Continued)

Cost of insurance, etc., on gold bullion in foreign countries	125.00
Miscellaneous fees and expenses	52.23
	<hr/>
	\$5,253.34
	<hr/>

[Penciled notation] : Latisteel Bldg., completed Apr. 1, 1939.

Treasury Department Form 1040F Internal Revenue Service
1938 United States 1938

SCHEDULE OF FARM INCOME AND EXPENSES

Attach This Form
to Your Income
Tax Return Form
1040 and File It
With the Collector
of Internal
Revenue
for Your District

For Calendar Year 1938
Or for year beginning.....,
1938, and ended....., 1939

Name
GEORGE S. GAYLORD
Address

639 Rosement Avenue,
Pasadena, Calif.

Fill in Pages 1 and
3 If Your Accounts
Are Kept on a Cash
Basis. If You Keep
Books on an Ac-
crual Basis and De-
sire to Use This
Form, Fill in Pages
2 and 3 Instead

FARM INCOME FOR TAXABLE PERIOD

1. Sale of Livestock and Produce Raised	2. Sale of Crops and Other Produce Raised
Hogs '\$ 379.07	Alfalfa\$ 443.25
Chickens 238.89	
Fruit 368.58	Total.....\$ 443.25
Eggs 505.57	(Enter on line 2)
Misel. 58.41	
Total.....\$1,550.52	
(Enter on line 1)	

SUMMARY OF INCOME AND EXPENSES COMPUTED
ON A CASH RECEIPTS AND DISBURSEMENTS BASIS

1. Sale of livestock and produce raised.....	\$ 1,550.52
2. Sale of crops and other produce raised.....	443.25
3. Other receipts	
4. Sale of livestock or other items purchased.....	
	<hr/>
5. Gross Profits	\$ 1,993.77

(Testimony of George S. Gaylord.)

Respondent's Exhibit C—(Continued)

7. Expenses (column 1, page 3).....	\$ 3,358.75
8. Expenses (column 2, page 3).....	1,361.64
9. Repairs (from page 3)	23.91
10. Depreciation (from page 3).....	672.10
11. Total Expenses	\$ 5,416.40
6. Net farm profit (line 5 minus line 11) to be re- ported in item 9 on Form 1040.....	\$ 3,422.63

FARM INVENTORY FOR INCOME COMPUTED ON
AN ACCRUAL BASIS

[Followed by printed form not filled in]

SUMMARY OF INCOME AND EXPENSES COMPUTED
ON AN ACCRUAL BASIS

[Followed by printed form not filled in]

FARM EXPENSES FOR TAXABLE YEAR

Items	(1) Amount
Hired help for farm	\$1,164.83
Feed, hay, straw, etc.	1,443.49
Seed, plants, etc.	14.89
Fuel and oil for farm work	405.61
Barrels, bags, crates, and twine, cartons	40.07
Utilities	157.60
Power	132.26

Total\$3,358.75

(Enter on line 7)

Items	(2) Amount
Flood Expense—	
Labor clearing land	\$ 352.21
Repair pens	198.75
Repair foundations	257.00
Floor cement ch. hse.	103.68
Repairs to dyke	450.00

Total\$1,361.64

(Enter on line 8)

(Testimony of George S. Gaylord.)

Respondent's Exhibit C—(Continued)

REPAIRS AND DEPRECIATION

Description (If buildings, state the material of which constructed)	Date Acquired or Constructed	Age When Acquired	Probable Life After Acquirement	Cost or Value as of March 1, 1913, Whichever Greater (Exclusive of land) (Indicate basis)	Depreciation Charged Off	
					Repairs	Previous Years This Year
Farm buildings, wood.....	1936	New	25 Y	\$ 2,500.00	\$	\$100.00 \$100.00
Farm machinery and tools	1935		15 Y	2,025.13	23.91	141.75 135.00
Farm fences, drains, ditches, etc.						
Truck Oct. 1937		New	5 Y	1,049.26		34.96 209.85
Tractor 1936		10 Y	4 Y	909.00		227.25 227.25
Totals.....				\$.....	\$ 23.91 (Enter on line 9)	\$672.10 (Enter on line 10)

[Endorsed]: T.C.U.S. Filed Apr. 2, 1943.

(Testimony of George S. Gaylord.)

Mr. Coon: And his return for 1939.

The Judge: That will be Exhibit D.

(The said 1939 return of George S. Gaylord, so offered and received in evidence, was marked Respondent's Exhibit D, and made a part of this record.) [349]

FORM 1040
Treasury Department
Internal Revenue Service

UNITED STATES
INDIVIDUAL INCOME TAX RETURN 1939

Page 1

FOR NET INCOMES OF MORE THAN \$5,000 FROM SALARIES, WAGES,
DIVIDENDS, INTEREST, ANNUITIES, AND FOR INCOMES FROM
OTHER SOURCES REGARDLESS OF AMOUNTS

For Calendar Year 1939

(Do not use these spaces)
File No. 1014
Serial No. 8,250,12

Tax year beginning 1938, and ended 1940

To be filed with the Collector of Internal Revenue for your district not later than the 15th day of the third month following the close of your taxable year

PRINT NAME AND ADDRESS PLAINLY. (See Instructions C)

WILLIAM J. BELL
639 ROBERTSON AVENUE
PASADENA Los Angeles California
(Post office) (County) (State)

Stamp: MAR 15 1940
Cash - Check - M. O.
First Payment

INCOME

1. Salaries and other compensation for personal services. (From Schedule A)	\$ 3,537.40
2. Dividends	2.00
3. Interest on bank deposits, notes, mortgages, etc.	1.00
4. Interest on corporation bonds	
5. Taxable interest on Government obligations, etc. (From Schedule B)	
6. Income (or loss) from partnerships, syndicates, pools, etc. (other than capital gains or losses). (For each source and address)	
7. Income from fiduciaries. (For each source and address)	
8. Rents and royalties. (From Schedule C)	10,533.46
9. Income (or loss) from business or profession. (From Schedule D)	7,346.17
10. (a) Net short-term gain from sale or exchange of capital assets. (From Schedule F)	29,601.55
(b) Net long-term gain (or loss) from sale or exchange of capital assets. (From Schedule F)	
(c) Net gain (or loss) from sale or exchange of property other than capital assets. (From Schedule G)	
11. Other income (including income from annuities) (State source) 1939-1940 profits	2,000.00
12. Total income in items 1 to 11. (Enter separately income on Schedule I)	\$ 47,452.36

DEDUCTIONS

13. Contributions paid. (Explain in Schedule H)	\$ 343.00
14. Interest. (Explain in Schedule H)	450.00
15. Taxes. (Explain in Schedule H)	2,285.27
16. Losses from fire, storm, shipwreck, or other casualty, or theft. (Explain in Schedule H)	
17. Bad debts. (Explain in Schedule H)	
18. Other deductions authorized by law. (Explain in Schedule H)	3,221.32
19. Total deductions in items 13 to 18.	\$ 6,322.99
20. Net income (item 12 minus item 19)	\$ 41,129.37

COMPUTATION OF TAX

21. Net income (item 20 above)	\$ 41,129.37
22. Less: Personal exemption. (From Schedule J-1)	\$ 25.00
23. Credit for dependents. (From Schedule J-2)	2,500.00
24. Balance (surplus net income)	\$ 38,639.37
25. Less: Interest on Government obligations, etc. (See Instructions 25)	
26. Earned income credit. (From Schedule K-1 or K-2)	300.00
27. Balance subject to normal tax	\$ 38,339.37
28. Normal tax (4% of item 27)	\$ 1,533.57
29. Surplus on item 24. (See Instructions 29)	1,723.45
30. Total (item 28 plus item 29)	\$ 6,327.02
31. Total tax (item 30, or if you had a net long-term capital gain or loss, enter line 16, Schedule F)	\$ 6,327.02
32. Less: Income tax paid at SOURCE. Income tax paid to a foreign country or U.S. possession. (Attach Form 1142)	
33. Balance of tax (item 31 minus item 32 and 33)	\$ 6,327.02

NOTE—One form marked "DUPLICATE COPY" must be filed with this original return (35 will be accepted if duplicate copy is not filed)



(Testimony of George S. Gaylord.)

Respondent's Exhibit D—(Continued)

Schedule A.—INCOME RECEIVED FROM OTHERS CONSISTING OF SALARIES, WAGES, FEES, AND OTHER COMPENSATION FOR PERSONAL SERVICES. (See Instruction 1)

[Followed by printed form not filled in]

Schedule B.—INTEREST ON GOVERNMENT OBLIGATIONS, ETC. (See Instruction G)

[Followed by printed form not filled in]

Schedule C.—INCOME FROM RENTS AND ROYALTIES. (See Instruction 8)

1. Kind of property	2. Amount	3. Depreciation (explain in Schedule E)	6. Net profit (column 2 minus sum of columns 3, 4, and 5) (enter as item 8, page 1)
Oil royalties	\$ 268.83	\$ 73.93	\$ 194.90
Rents as per schedule attached			10,788.55
			\$10,983.45
Explanation of deductions claimed in columns 4 and 5; Depreciation (27½%).			

Schedule D.—PROFIT (OR LOSS) FROM BUSINESS OR PROFESSION. (See Instruction 9)

[Followed by printed form not filled in]

Schedule E.—EXPLANATION OF DEDUCTION FOR DEPRECIATION CLAIMED IN SCHEDULES C, D, F, and G.

See schedule attached

(Testimony of George S. Gaylord.)

Respondent's Exhibit D—(Continued)

Schedule F.—GAINS AND LOSSES FROM SALES OR EXCHANGES OF CAPITAL ASSETS. (See Instruction 10)

	8. Gain or loss (column 4 plus column 7 minus the sum of columns 5 and 6)	Gain or loss to be taken into account <hr/> 10. Amount
Short-Term Capital Gains and Losses		
—Assets Held Not More Than 18 Months		
See schedule attached	\$ 8,645.68	\$ 8,645.68
Long-Term Capital Gains and Losses—		
Assets Held for More Than 24 Months		
See schedule attached	\$59,389.11	\$29,694.55

SUMMARY OF CAPITAL NET GAINS OR LOSSES

1. Classification	3. Net gain or loss to be taken into account from col. 10, above		5. Total net gain or loss to be taken into account in columns 2, 3, and 4 of this summary	
	Gain	Loss	Gain	Loss*
1. Total net short-term capital gain or loss (enter as item 10 (a), page 1, amount of gain shown in col. 5) ..	\$ 8,645.68	\$	\$ 8,645.68	\$
2. Total net long-term capital gain or loss (enter as item 10(b), page 1, amount of gain or loss shown in column 5)	\$29,694.55	\$	\$29,694.55	\$

* No net loss allowable (see Instruction 10)

State the family, fiduciary, or business relationship to you, if any, of purchaser of any of the above items: None.

If any of the above items were acquired by you other than by purchase, explain fully how acquired: See schedule attached.

(Testimony of George S. Gaylord.)

Respondent's Exhibit D—(Continued)

COMPUTATION OF ALTERNATIVE TAX

(To be used only in the case of a net long-term capital gain or loss)

1. Net income (item 20, page 1). (See Instruction 10)		\$41,139.37
2. (a) Net long-term capital gain (item 10(b) page 1)		29,694.55
(b) Net long-term capital loss (item 10(b), page 1)		
3. Ordinary net income (line 1 minus line 2(a) or line 1 plus line 2(b)). (See Instruction 10).....		11,444.82
4. Less: Personal exemption. (From Schedule J-1)	\$2,500.00	
5. Credit for dependents. (From Schedule J-2)		2,500.00
6. Balance (surtax net income).....		\$ 8,944.82
7. Less: Interest on Government obligations, etc. (See Instruction 25)		
8. Earned income credit. (From Schedule K-1 or K-2). (See Instruction 10)	300.00	300.00
9. Balance subject to normal tax		\$ 8,644.82
10. Normal tax (4% of line 9).....		\$ 345.79
11. Surtax on line 6. (See Instruction 29).....		401.14
12. Partial tax (line 10 plus line 11).....		\$ 746.93
13. (a) 30% of net long-term capital gain (30% of line 2(a))		8,908.37
(b) 30% of net long-term capital loss (30% of line 2(b))		
14. Alternative tax (line 12 plus line 13(a) or line 12 minus line 13(b))		\$ 9,655.30
15. Total normal tax and surtax (item 30, page 1) ..		\$ 6,327.02
16. Tax liability (if a net long-term capital gain, on line 2(a), enter line 14 or line 15, whichever is the lesser; if a net long-term capital loss, on line 2(b), enter line 14 or line 15, whichever is the greater). (Enter as item 31, page 1)		\$ 6,327.02

(Testimony of George S. Gaylord.)

Respondent's Exhibit D—(Continued)

Schedule G.—GAINS AND LOSSES FROM SALES OR EXCHANGES OF PROPERTY OTHER THAN CAPITAL ASSETS. (See Instruction 10)

[Followed by printed form not filled in]

Schedule H.—EXPLANATION OF DEDUCTIONS CLAIMED IN ITEMS 13, 14, 15, 16, 17, and 18

See Schedule Attached

Schedule I.—NONTAXABLE INCOME OTHER THAN INTEREST REPORTED IN SCHEDULE B.

(See Instruction G)

[Followed by printed form not filled in]

Schedule J.—EXPLANATION OF CREDITS CLAIMED IN ITEMS 22 AND 23. (See Instructions 22 and 23)

(1) Personal Exemption		
Status	Number of mos. during the year in each status	Credit Claimed
Married and living with husband or wife	12	\$2,500.00

Schedule K.—COMPUTATION OF EARNED INCOME CREDIT. (See Instruction 26)

(2) If your net income is more than \$3,000, use only this part of schedule.	
Earned net income (not more than \$14,000).....\$	
Net income (item 20, page 1).....	41,139.37
Earned income credit (10% of earned net income or 10% of net income, above, whichever amount is smaller, but do not enter less than \$300).....	300.00

(Testimony of George S. Gaylord.)

Respondent's Exhibit D—(Continued)

QUESTIONS

1. State your principal occupation or profession: Investments.
2. Check whether you are a citizen [x] or a resident alien [].
3. If you filed a return for the preceding year, to which Collector's office was it sent? Los Angeles.
4. Are items of income or deductions of both husband and wife included in this return? No.
5. State (a) Name of husband or wife if separate return was made: Gertrude H. Gaylord.
(b) Personal exemption, if any, claimed thereon: None.
(c) Collector's office to which it was sent: Los Angeles.
6. Check whether this return was prepared on the cash [x] or accrual [] basis.
7. Did you at any time during your taxable year own directly or indirectly any stock of a foreign corporation or a personal holding company as defined by section 501? (Answer "Yes" or "No"): No. (If answer is "yes," attach statement required by Instruction J.)

AFFIDAVIT. (See Instruction E)

I/we swear (or affirm) that this return (including any accompanying schedules and statements) has been examined by me/us, and to the best of my/our knowledge and belief is a true, correct, and complete return, made in good faith, for the taxable year stated, pursuant to the Internal Revenue Code, as amended, and the regulations issued under authority thereof.

GEORGE S. GAYLORD

(Signature) (See Instruction E)

(If this is a joint return (not made by agent), it must be signed by both husband and wife. It must be sworn to before a proper officer by the spouse preparing the return. If neither or both prepare the return, it must be sworn to by both spouses.)

Subscribed and sworn to by George S. Gaylord before me this 27th day of Feb., 1940.

(Seal)

DOROTHY SPECKELS

Notary Public in and for the County of Los Angeles, State of California.

(Signature and title of officer administering oath)

My commission expires Jan. 12, 1943.

A return made by an agent must be accompanied by power of attorney.
(See Instruction E.)

(Testimony of George S. Gaylord.)

Respondent's Exhibit D—(Continued)

AFFIDAVIT. (See Instruction E)

(If this return was prepared for you by some other person, the following affidavit must be executed)

I/we swear (or affirm) that I/we prepared this return for the person or persons named herein and that the return (including any accompanying schedules and statements) is a true, correct, and complete statement of all the information respecting the income tax liability of the person or persons for whom this return has been prepared of which I/we have any knowledge.

JAMES M. BONTEMS

(Signature of person preparing the return)

JAMES W. BONTEMS & CO.

215 W. 6th St., Los Angeles

(Name of firm, or employer, if any)

Subscribed and sworn to before me this 26 day of Feb., 1940.

(Seal)

DOROTHY SPECKELS

Notary Public, in and for the County of Los Angeles, State of California.

(Signature and title of officer administering oath)

My Commission Expires Jan. 12, 1943.

(Testimony of George S

Location	Kind	ation	Total Expenses	Net Income
Alhambra	Stores	1.00	\$2,484.72	\$2,886.82
Amarillo	"	0.00	619.01	1,149.32
Glendale	Land	.....	588.68	791.32
Hollywood	Stores	0.00	3,118.04	1,636.42
Oxnard	Mushroom	0.00	1,372.75	2,621.51
Santa Monica	Stores	2.93	1,501.29	1,703.16
		3.93	\$9,684.49	\$10,788.55

(a) Weed expense, etc

(b) Architect's fee

(c) Repairs

Location	Kind	ated Life at Beginning of Year	Depreciation This Year
Alhambra	Stucco an	20 years	\$ 771.00
Amarillo	Brick (19	7½ years	400.00
Hollywood	Brick and	2 years	1,000.00
Oxnard	Wood she	6 years	1,230.00
Santa Monica	Stucco an	20 years	562.93
			<u>\$3,963.93</u>

(Testimony of George S. Gaylord.)

Respondent's Exhibit D—(Continued)

AFFIDAVIT. (See Instruction E)

(If this return was prepared for you by some other person, the following affidavit must be executed)

I/we swear (or affirm) that I/we prepared this return for the person or persons named herein and that the return (including any accompanying schedules and statements) is a true, correct, and complete statement of all the information respecting the income tax liability of the person or persons for whom this return has been prepared of which I/we have any knowledge.

JAMES M. BONTEMS

(Signature of person preparing the
return)

JAMES W. BONTEMS & CO.

215 W. 6th St., Los Angeles

(Name of firm, or employer, if any)

Subscribed and sworn to before me this 26 day of Feb., 1940.

(Seal)

DOROTHY SPECKELS

Notary Public, in and for the County of Los Angeles, State of
California.

(Signature and title of officer administering oath)

My Commission Expires Jan. 12, 1943.

GEORGE S. GAYLORD

RENTS - SCHEDULE

- (a) Weed expense, etc.
- (b) Architect's fee
- (c) Repairs

DEPRECIATION - SCHEDULE

[illegible]

O. S. DAYLORD
1939 CAPITAL GAINS AND LOSSES

Date of Sale	Description of Item	Number of Shares	Amount Received	Date Acquired	Cost or Basis	Profit and Loss	Taxable Income		
							Short Term Gains	Long Term Gains 18 to 24 Months	Over 24 Months
1-13-39	Marathon P	100	\$ 3,777.75	3-1-13	\$ 821.00	\$ 2,956.75			\$ 2,956.75 ✓
	United Shipyards P	2,500	2,173.33	5-21-33	5,000.00	2,126.07			2,126.07
1-18-39	First National Chgo.	15	2,205.60	9-8-36	4,050.00	744.40			744.40
	Marathon P	100	3,777.75	3-1-13	821.00	2,956.75			2,956.75 ✓
	McIntyre P	100	5,373.74	8-8-38	4,772.00	599.74	599.74		
		100	5,373.24		4,772.00	612.24	612.24		
	Continental Illinois National Bank	8	621.85	4-8-36	969.75	367.90			367.90
	Northern Trust Company	6	3,083.70	9-6-36	4,500.00	1,416.30			1,416.30
	Marathon P	50	1,876.35	3-1-13	410.50	1,465.85			1,465.85 ✓
		50	1,763.35	3-1-13	410.50	1,465.85			1,465.85 ✓
1-11-39	Uohi 6's	5,000	4,650.00	10-24-36	4,350.00	300.00	300.00		
	Maranda	1,000	6,067.00	4-22-38	5,725.00	2,342.00	2,342.00		
	Dome Mines	200	6,392.00	10-4-37	4,395.00	1,997.00	1,997.00		
1-27-39	111,595 os. gold		11,112.49	1-17-36	14,511.12	3,398.93	3,398.93		
	United Shipyards	50	574.35	4-9-31	405.00	247.55			247.55
2-10-39	Marathon P	100	3,527.75	3-1-13	821.00	2,706.75			2,706.75 ✓
2-17-39	Phillips Pat.	100	5,931.82	11-18-38	4,022.00	90.10	90.10		
	McIntyre P. Co.	100	5,221.74	8-8-36	4,772.00	449.74	449.74		
	Dome Mines	100	5,094.35	4-22-38	2,637.50	457.43	457.43		
	International Nickel	100	5,113.54	9-22-38	4,790.00	351.54	351.54		
	Marathon P	100	5,548.75	3-1-13	821.00	2,727.75			2,727.75 ✓
3-5-39	Marathon P.	100	5,548.75	3-1-13	821.00	2,727.75			2,727.75 ✓
5-10-39		62	2,231.20	3-1-13	509.02	1,722.18			1,722.18 ✓
		200	7,197.50	3-1-13	1,642.00	5,555.50			5,555.50 ✓
5-28-39	McIntyre P. Co.	100	5,471.74	10-4-37	4,772.00	699.74	699.74		
	\$ 4,000.00 - Third Ave. #51360		388.33	2-15-35					
	10,000.00 -		970.98						
	10,000.00 -		398.47	2-15-38					
	10,000.00 -		72.22	3-25-38	3,447.25	1,461.36	1,461.36		
	10,000.00 -		35.97						
	6,000.00 -		562.58						
4-10-39	Marathon P	200	7,322.50	3-1-13	1,642.00	5,680.50			5,680.50 ✓
		100	3,215.25	3-1-13	821.00	2,394.25			2,394.25 ✓
6-8-39		300	10,116.25	3-1-13	2,463.00	7,653.25			7,653.25 ✓
6-10-39		200	6,197.50	3-1-13	1,642.00	4,555.50			4,555.50 ✓
		100	2,398.75	3-1-13	821.00	2,177.75			2,177.75 ✓
6-19-39	1 Acre at Oxnard		1,655.50	12-19-34	150.00	375.50			375.50 ✓
	Lot 12, Brandon Park		317.50	3-16-31	613.27	285.77			285.77 ✓
6-26-39	Marathon P.	200	6,447.50	3-1-13	1,642.00	5,005.50			5,005.50 ✓
6-28-39		100	3,311.25	3-1-13	821.00	2,490.25			2,490.25 ✓
7-2-39		200	6,437.50	3-1-13	1,642.00	4,855.50			4,855.50 ✓
7-20-39		200	7,177.50	3-1-13	1,642.00	5,535.50			5,535.50 ✓
8-6-39	Lot 19, Brandon Park		317.50	3-16-31	613.27	285.77			285.77 ✓
11-4-39	Imperial Tobacco of Canada	200	2,254.00	10-24-38	3,090.00	136.00	136.00		
1939 Various	4 Brandon Park lots		1,574.33	3-16-31	2,152.06	945.76			945.76 ✓
			\$172,978.33		\$104,943.54	\$68,034.79	\$8,645.68		\$59,389.11

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(Testimony of George S. Gaylord.)

Respondent's Exhibit D—(Continued)

GEORGE S. GAYLORD

Income Tax—1939

Taxpayer shows long term capital gains on Marathon Paper Mills stock, which was acquired by him prior to March 1, 1913, the value being arrived at as follows:

Menasha Printing and Carton Co.—

Value March 1, 1913	\$350,000.00
July 1, 1917 invested	152,500.00
	<hr/>
	502,500.00
Less—Preferred stock sold July 1917.....	20,000.00
	<hr/>
	\$482,500.00
	<hr/> <hr/>

Received for 3,357 shares Menasha Printing and Carton Co. stock, securities of Marathon Paper Mills Co., as follows:

\$1,038,000.00 par 5½% Bonds	\$ 1,038,000.00
6,728 shares Common stock @ \$130.30.....	876,658.40
	<hr/>
	\$ 1,914,658.40

\$ 1,038,000.00 equals 54.21% of total received.

876,568.40 equals 45.79% of total received.

45.79% of \$482,500.00 equals \$220,936.75 or original cost of 6,728 shares of common stock, or \$32.84 per share.

Stock was divided four for one, making original cost of present common shares \$8.21 per share.

Conferences are now pending with the Bureau of Internal Revenue to determine the correctness of the above value.

GEORGE S. GAYLORD

INCOME TAX—1939

Schedule H—Explanation of Deductions

Item 13—Contributions

California Chamber of Commerce	\$ 75.00
Hollywood Christmas Donation	60.00
Better America Federation	75.00
Pasadena Boy's Club	50.00

(Testimony of George S. Gaylord.)

Respondent's Exhibit D—(Continued)

Schedule H—Explanation of Deductions—(Continued)

Item 13—Contributions—(Continued)

Pasadena Foundation Boy's Camp	48.00
San Diego Community Chest	25.00
Monterey Community Chest	10.00
	<hr/>
	\$ 343.00
	<hr/>

Item 14—Interest

Mortgage indebtedness	\$ 450.00
	<hr/>

Item 15—Taxes

Pasadena property taxes	\$ 981.42
La Jolla Property taxes	185.64
Solvent credits tax	89.63
Carmel property taxes	252.52
Chicago property taxes	194.54
Club dues tax	22.00
Stock transfer taxes	16.00
Oil royalty tax	5.96
	<hr/>
Total deductible on State return.....	1,747.71
State income tax	557.96
	<hr/>
Total deductible on Federal return.....	\$2,305.67
	<hr/>

Item 18—Other deductions

In February 1939 heavy winds destroyed ornamental trees on residence property valued at \$5,300.00, one-half of which loss is claimed by wife of taxpayer	2,650.00
Other expenses incurred by taxpayer are—Discount and exchange 284.83, accounting fees 80.20, jewelry purchase expense 99.08, selling* expense on lots sold 47.20, gold and securities sales expenses 53.01	564.32
	<hr/>
	\$3,214.32
	<hr/>

* Joint venture in jewelry closed out at profit in 1940, says Jas. W. Bontems. W.W.B. [Added in pencil]

(Testimony of George S. Gaylord.)

Respondent's Exhibit D—(Continued)

Form 1040F
Treasury Department
Internal Revenue Service

United States

1939

SCHEDULE OF FARM INCOME AND EXPENSES

Attach This Form to Your Income Tax Return Form 1040 and File It With the Collector of Internal Revenue for Your District	For Calendar Year 1939 Or for year beginning..... 1939, and ended....., 1940	Fill in Pages 1 and 3 If Your Accounts Are Kept on a Cash Basis. If You Keep Books on an Ac- crual Basis and De- sire to Use This Form, Fill in Pages 2 and 3 Instead
	Name GEORGE S. GAYLORD	
	Address 639 Rosemont Avenue, Pasadena, California	

FARM INCOME FOR TAXABLE PERIOD

1. Sale of Livestock Raised

Kind	Quantity	Amount
Various, principally eggs		\$ 1,716.64
Total.....		\$ 1,716.64

(Enter on line 1)

SUMMARY OF INCOME AND DEDUCTIONS COMPUTED
ON A CASH RECEIPTS AND DISBURSEMENTS BASIS

1. Sale of livestock raised	\$1,716.64
2. Sale of produce raised	
3. Other farm income	
4. Sale of livestock and other items purchased.....	
5. Gross Profits	\$1,716.64
7. Expenses (from page 3)	\$4,018.66
8. Depreciation (from page 3)	744.45
Trees pulled as per explanation on page 3.....	4,320.00
9. Total Deductions	\$9,083.11
6. Net farm profit (line 5 minus line 9) to be reported in item 9 on Form 1040.....	\$7,366.47

FARM INVENTORY FOR INCOME COMPUTED
ON AN ACCRUAL BASIS

Not Applicable

SUMMARY OF INCOME AND DEDUCTIONS COMPUTED
ON AN ACCRUAL BASIS

[Followed by printed from not filled in]

(Testimony of George S. Gaylord.)

Mr. Coon: These are the returns of Mrs. Gaylord, Gertrude H. Gaylord. For 1936——

The Judge: That will be Exhibit E.

(The said 1936 return of Gertrude H. Gaylord, so offered and received in evidence, was marked Respondent's Exhibit E, and made a part of this record.)

RETURN FORM MARKED "DUPLICATE" MUST BE FILED WITH THIS ORIGINAL RETURN

RECEIVED
SECTION 1
BY 111111
DATE APR 9 1937

INDIVIDUAL INCOME TAX RETURN

FOR NET INCOMES FROM SALARIES OR WAGES OF MORE THAN \$5,000
AND INCOMES FROM BUSINESS, PROFESSION, ETC., OR SALE OF PROPERTY

For Calendar Year 1936

or fiscal year begun 1936, and ended 1937
File this return not later than the 15th day of the third month following the close of the taxable year
PAYEE NAME AND ADDRESS PLAINLY BELOW (See Instruction 2)

GERTRUDE H. GAYLORD

(Print name and address of person if not a joint return)

629 Rosemont Ave

(Print and number, or rural route)

Calif

27. Business subject to normal tax
(See Instruction 27)

1/14/37

AFFIDAVIT (See Instruction 27)

I/ve sworn (or affirm) that this return (including its accompanying schedules and statements, if any) has been examined by me, and to the best of my knowledge and belief is a true, correct, and complete return, made in good faith, for the taxable year, pursuant to the Act of 1918 and the Regulations issued thereunder.

Subscribed and sworn to by Gertrude H. Gaylord before

me this 6th day of February, 1937

Alvin T. Jackson

NOTARIAL SEAL

A RETURN MADE BY AN AGENT MUST BE ACCOMPANIED BY POWER OF ATTORNEY (See Inst. 27)

AFFIDAVIT (See Instruction 27)

I/ve sworn (or affirm) that I/ve prepared this return for the person or persons named herein and that the return (including its accompanying schedules and statements, if any) is a true, correct, and complete statement of all the information required by the Income Tax Liability of the person or persons for whom this return has been prepared of which I/ve have any knowledge.

Subscribed and sworn to before me this 10th day of

NOTARIAL SEAL

U.S. GOVERNMENT PRINTING OFFICE 1-1770

Do Not Write in These Spaces

No. 1014

1801666

Date

1937

RECEIVED

WILLIAM H. HAYLORD

FEB 9 1937

CHIEF OF BUREAU

U.S. DEPT. OF TREASURY

WASHINGTON, D.C.

SCHEDULE A—PROFIT (OR LOSS) FROM BUSINESS OR PROFESSION (See Instruction 2)

1. Total wages from business or profession (State kind of business)		16. Shareholder included in Schedule 1	
2. Labor		17. Interest on business indebtedness to others	
3. Material and supplies		18. Taxes on business and business property	
4. Miscellaneous bought for sale		19. Loans (repaid in full at end of year)	
5. Other sale (Include holder or on separate sheet)		20. Paid debts arising from sale or services	
6. Plus inventory at beginning of year		21. Plus debts provided at foot of page	
7. Minus (Lines 6 to 6)		22. Minus interest on business indebtedness (Include interest on separate sheet)	
8. Less inventory at end of year		23. Taxes (Lines 10 to 13)	
9. Net Gain or Loss (Line 7 minus Line 8)		24. Taxes, Dividends (Line 9 plus Line 17)	
<p>Enter "C", "M", or "N" on Lines 6 and 8 to indicate whether the amounts are valued at cost, or at market, whichever is better.</p>		25. Net Profit (on Line 9) (Line 1 minus Line 14) (Enter on Page 2)	

Explanation of deductions
Shown on Lines 9 and 16

SCHEDULE B—INCOME FROM RENTS AND ROYALTIES (See Instruction 3)

1. Rent on Property	2. Royalty on Patent	3. Royalty on Copyright	4. Royalty on Trade Mark	5. Royalty on Invention	6. Royalty on Other Property	7. Net Profit (on Line 1)

Explanation of deductions
Shown on Line 6

SCHEDULE C—CAPITAL GAINS AND LOSSES (From Sales or Exchanges Only) (See Instruction 10)

1. Description of Property	2. Date Acquired	3. Date Sold	4. Cost or Other Basis	5. Proceeds	6. Capital Gain or Loss	7. Short-Term Gain or Loss	8. Long-Term Gain or Loss	9. Total Capital Gain or Loss
100 shares of ABC Corp. stock	1/1/55	12/31/55	\$100	\$150	\$50	\$50	\$0	\$50
100 shares of DEF Corp. stock	1/1/55	12/31/55	\$100	\$80	(\$20)	(\$20)	\$0	(\$20)
100 shares of GHI Corp. stock	1/1/55	12/31/55	\$100	\$120	\$20	\$20	\$0	\$20
100 shares of JKL Corp. stock	1/1/55	12/31/55	\$100	\$110	\$10	\$10	\$0	\$10
100 shares of MNO Corp. stock	1/1/55	12/31/55	\$100	\$90	(\$10)	(\$10)	\$0	(\$10)
100 shares of PQR Corp. stock	1/1/55	12/31/55	\$100	\$130	\$30	\$30	\$0	\$30
100 shares of STU Corp. stock	1/1/55	12/31/55	\$100	\$105	\$5	\$5	\$0	\$5
100 shares of VWX Corp. stock	1/1/55	12/31/55	\$100	\$115	\$15	\$15	\$0	\$15
100 shares of YZ Corp. stock	1/1/55	12/31/55	\$100	\$95	(\$5)	(\$5)	\$0	(\$5)
100 shares of ABC Corp. stock	1/1/55	12/31/55	\$100	\$125	\$25	\$25	\$0	\$25
100 shares of DEF Corp. stock	1/1/55	12/31/55	\$100	\$100	\$0	\$0	\$0	\$0
100 shares of GHI Corp. stock	1/1/55	12/31/55	\$100	\$110	\$10	\$10	\$0	\$10
100 shares of JKL Corp. stock	1/1/55	12/31/55	\$100	\$90	(\$10)	(\$10)	\$0	(\$10)
100 shares of MNO Corp. stock	1/1/55	12/31/55	\$100	\$130	\$30	\$30	\$0	\$30
100 shares of PQR Corp. stock	1/1/55	12/31/55	\$100	\$105	\$5	\$5	\$0	\$5
100 shares of STU Corp. stock	1/1/55	12/31/55	\$100	\$115	\$15	\$15	\$0	\$15
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100 shares of ABC Corp. stock	1/1/55	12/31/55	\$100	\$100	\$0	\$0	\$0	\$0
100 shares of DEF Corp. stock	1/1/55	12/31/55	\$100	\$110	\$10	\$10	\$0	\$10
100 shares of GHI Corp. stock	1/1/55	12/31/55	\$100	\$90	(\$10)	(\$10)	\$0	(\$10)
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100 shares of YZ Corp. stock	1/1/55	12/31/55	\$100	\$100	\$0	\$0	\$0	\$0
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100 shares of STU Corp. stock	1/1/55	12/31/55	\$100	\$100	\$0	\$0	\$0	\$0
100 shares of VWX Corp. stock	1/1/55	12/31/55	\$100	\$110	\$10	\$10	\$0	\$10
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100 shares of GHI Corp. stock	1/1/55	12/31/55	\$100	\$110	\$10	\$10	\$0	\$10
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100 shares of ABC Corp. stock	1/1/55	12/31/55	\$100	\$110	\$10	\$10	\$0	\$10
100 shares of DEF Corp. stock	1/1/55	12/31/55	\$100	\$90	(\$10)	(\$10)	\$0	(\$10)
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100 shares of YZ Corp. stock	1/1/55	12/31/55	\$100	\$110	\$10	\$10	\$0	\$10
100 shares of ABC Corp. stock	1/1/55	12/31/55	\$100	\$90	(\$10)	(\$10)	\$0	(\$10)
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100 shares of GHI Corp. stock	1/1/55	12/31/55	\$100	\$105	\$5	\$5	\$0	\$5
100 shares of JKL Corp. stock	1/1/55	12/31/55	\$100	\$115	\$15	\$15	\$0	\$15
100 shares of MNO Corp. stock	1/1/55	12/31/55	\$100	\$95	(\$5)	(\$5)	\$0	(\$5)
100 shares of PQR Corp. stock	1/1/55	12/31/55	\$100	\$125	\$25	\$25	\$0	\$25
100 shares of STU Corp. stock	1/1/55	12/31/55	\$100	\$100	\$0	\$0	\$0	\$0
100 shares of VWX Corp								

(Testimony of George S. Gaylord.)

Respondent's Exhibit E—(Continued)

GERTRUDE H. GAYLORD

Schedule C—Capital Gain

Purchases

1936	Held less than one year		
Feb. 14	200 B. & O., 21 $\frac{1}{4}$	.....	\$4,285.
June 8	100 Swift, 24 $\frac{1}{4}$	.....	2,442.50
"	100 do 24 $\frac{3}{8}$	.....	2,455.
			<hr/>
			9,182.50

Sold

Nov. 30	200 B. O., 22	.....	\$4,346.16
"	100 Swift, 24 $\frac{5}{8}$	.....	2,439.40
"	100 do 24 $\frac{1}{2}$	.....	2,426.90
			<hr/>
			9,212.46

Resulting Gain..... \$29.96

GERTRUDE H. GAYLORD

1936	Dividends received		
	Natl. Cash Register	.....	\$ 620.00
	Swift	.....	320.
	Cutler Hammer	.....	275.
	Inter. Nickel	.....	85.50
	Kennicott Copper	.....	140.
			<hr/>
			1,440.50

Interest received

	Bank of Montreal	.....	\$ 144.77
	Pulliam Mortg. Co.	.....	148.14
			<hr/>
			292.91

[Endorsed]: T.C.U.S. Filed Apr. 2, 1943.

(Testimony of George S. Gaylord.)

Mr. Coon: Gertrude H. Gaylord's return for 1937.

The Judge: Exhibit F.

(The said 1937 return of Gertrude H. Gaylord, so offered and received in evidence was marked Respondent's Exhibit F, and made a part of this record.)

1937 UNITED STATES INDIVIDUAL INCOME TAX RETURN 1937

Page 1

Do not write in this space
(Auditor's Stamp)

Treasury Department (FORM 1040) Internal Revenue Service

Do not use these spaces

FOR NET INCOMES FROM SALARIES, WAGES, INTEREST, AND
DIVIDENDS OF MORE THAN \$5,000, AND INCOMES FROM
OTHER SOURCES REGARDLESS OF AMOUNTS

For Calendar Year 1937 or Fiscal Year

beginning _____, 1937, and ended _____, 1938

Please return not later than the 15th day of the third month following the close of the taxable year

PRINT NAME AND ADDRESS PLAINLY (See Instructions 12)

TERENCE H. TAYLOR

6740 Avenue

Residence

File No. 1014
Serial No. 501422(1)

Debit (Cashier's Stamp)

Cash—Check—M. O.

First Payment

THE TAX COURT OF THE U. S.
DIV. 1 DOCKETS 107132

ADMITTED IN EVIDENCE 10-9-43

APR 2-1943

PETITIONERS
EXHIBIT F
RESPONDENTS

Income and Deductions

INCOME

1. Salaries and other compensation for personal services (from Schedule A)
2. Dividends from domestic and foreign corporations
3. Interest on bank deposits, notes, mortgages, etc.
4. Interest on corporation bonds
5. Taxable interest on Government obligations, etc. (from Schedule B)
6. Income (or loss) from partnerships, syndicates, pools, etc. (furnish name and address)
7. Income from fiduciaries (furnish name and address)
8. Rents and royalties (from Schedule C)
9. Income (or loss) from business or profession (from Schedule D)
10. Gain (or loss) from sale or exchange of property (from Schedule F)
11. Other income (state nature; use separate schedule if necessary)
12. Total income in items 1 to 11 (enter nontaxable income in Schedule H)

DEDUCTIONS

13. Contributions (explain in Schedule G)
14. Interest (explain in Schedule G)
15. Taxes (explain in Schedule G)
16. Losses by fire, storm, etc. (explain in Schedule G)
17. Bad debts (explain in Schedule G)
18. Other deductions authorized by law (explain in Schedule G)
19. Total deductions in items 13 to 18
20. Net income (item 12 minus item 19)

COMPUTATION OF TAX

21. Net income (item 20 above)	\$ 5004.15	28. Normal tax (4% of item 27)	\$ 198.17
22. Less: Personal exemption (from Schedule I)		29. Surtax on item 24 (see Instruction 29)	311.67
23. Credit for dependents (from Schedule I)		30. Total tax (item 28 plus item 29)	\$ 509.84
24. Balance (net income)	\$ 5004.15	31. Less: Income tax paid at source	
25. Less: Interest on Government obligations (item 5)		32. Income tax paid to a foreign country or U. S. possession	
26. Earned income credit (from Schedule D)	200	33. Balance of tax (item 30 minus item 31 and 32)	
27. Balance subject to normal tax	\$ 4774.15		

NOTE.—One form marked "DUPLICATE COPY" must be filed with this original return (28 will be assessed if duplicate copy is not filed)

1

Schedule A—INCOME FROM SALARIES AND OTHER COMPENSATION FOR PERSONAL SERVICES. (See instructions.)

Total column 2 minus total column 4 (enter as item 1, page 1).

Total (enter total of column 5 on item 2, page 1).

Explanation of deductions claimed in column 5: Rental (less) water 2882 upkeep of grounds 19665 - Total 1465

Enter "C", or "C" or "M", on lines 6 and 8 to indicate whether inventories are valued at cost, or cost or market, whichever is lower.

Explanation of deductions
claimed on Form 5 and 16

32



(Testimony of George S. Gaylord.)

Respondent's Exhibit F—(Continued)

Schedule F.—GAINS AND LOSSES FROM SALES OR EXCHANGES OF PROPERTY. (See Instruction 10)

[Followed by printed form not filled in]

Schedule G.—EXPLANATION OF DEDUCTIONS CLAIMED IN ITEMS 13, 14, 15, 16, 17, and 18

Line 18—Transfer Stamp Marathon Co.

Line 15—Real Estate Taxes.

Schedule H.—NONTAXABLE INCOME OTHER THAN INTEREST REPORTED IN SCHEDULE B. (See Inst. 12)

[Followed by printed form not filled in]

Schedule I.—EXPLANATION OF CREDITS CLAIMED IN ITEMS 22 AND 23. (See Instructions 22 and 23)

[Followed by printed form not filled in]

Schedule J.—COMPUTATION OF EARNED INCOME CREDIT. (See Instruction 26)

[Followed by printed form not filled in]

QUESTIONS

1. State your principal occupation or profession: Housewife.
2. Check whether you are a citizen [☒] or resident alien [☐].
3. If you filed a return for the preceding year, to which Collector's office was it sent? Los Angeles.
4. Are items of income or deductions of both husband and wife included in this return? (See Instruction B): No.
5. State name of husband or wife if a separate return was made, and the Collector's office to which it was sent: G. S. Gaylord, 639 Rosemont Ave., Pasadena, Calif.
6. Check whether this return was prepared on the cash [☒] or accrual [☐] basis.
7. Did you at any time during your taxable year own directly or indirectly any stock of a domestic or foreign personal holding company? (Answer "yes" or "no"): No. If answer is "yes", attach schedule required by Instruction M.

(Testimony of George S. Gaylord.)

Respondent's Exhibit F—(Continued)

AFFIDAVIT. (See Instruction F)

I/we swear (or affirm) that this return (including any accompanying schedules and statements) has been examined by me/us, and to the best of my/our knowledge and belief is a true, correct, and complete return, made in good faith, for the taxable year stated, pursuant to the Revenue Acts of 1936 and 1937, and the regulations issued thereunder.

GERTRUDE H. GAYLORD

(Signature) (See Instruction F)

Subscribed and sworn to by Gertrude H. Gaylord before me this 3rd day of March, 1938.

ALICE F. JACKSON

(Signature and title of officer administering oath)

My commission expires Sept. 19, 1939.

G. H. G.

Held less than one year

Bought

Jan. 5, 1937	100 Phillips Petroleum, 50 $\frac{1}{4}$	\$ 5,047.50
Jan. 8, 1937	100 Continental Oil, 44 $\frac{1}{2}$	4,470.60
Oct. 21, 1937	27 Marathon Pfd., 100	2,700.00

12,218.10

Cost..... 11,184.30

Loss..... 1,033.80

Sold

Sept. 23, 1937	100 Phillips Petroleum, 49 $\frac{1}{4}$	4,895.90
Sept. 23, 1937	100 Continental Oil, 39 $\frac{1}{8}$	3,888.17
Nov. 24, 1937	27 Marathon Pfd., 89	2,400.23

11,184.30

G. H. G.

Held one year less than 2—80%

Bought

Feb. 14, 1936	100 Kennecott Copper, 35 $\frac{1}{2}$	\$3,570.00
Feb. 14, 1936	100 International Nickel, 49 $\frac{3}{8}$	4,957.50

8,527.50

(Testimony of George S. Gaylord.)

Respondent's Exhibit F—(Continued)

G. H. G.—Held one year less than 2—80%—(Continued)

Sold

Sept. 23, 1937	100 Kennecott Copper, 48 $\frac{3}{8}$	4,808.40
Sept. 23, 1937	100 International Nickel, 50-53 $\frac{3}{4}$ 50-54	5,355.03
		<hr/>
		10,163.43
	Cost.....	8,527.50
		<hr/>
	Gain.....	1,635.93
		80%
		<hr/>
		1,308.74

G. H. G.

Held over 5 years less than 10—40%

Bought

Oct. 30, 1930—600 shares for \$19,440.00	Natl Cash Register
Stock Div. —120 shares	
equals purchase price \$27.00 per share	
300 shares cost Natl Cash Register.....	\$8,100.00
Jan. 27/31 100 shares Cutler Hammer, 37 $\frac{1}{4}$	3,740.00
	<hr/>
	11,840.00

Sold

June 8, 1937	100 shares, 30	2,970.49
June 8, 1937	200 shares, 29 $\frac{7}{8}$	5,915.98
Sept. 28, 1937	100 shares Cut. H., 60	5,968.38
		<hr/>
		14,854.85
	Cost.....	11,840.00
		<hr/>
		3,014.85
		40%
		<hr/>
		1,205.94

(Testimony of George S. Gaylord.)

Respondent's Exhibit F—(Continued)

G. H. G.

Held over 10 years—30%

Bought

2100 shares Marathon Com. (see attached for

cost) 8.21\$17,241.00

Sold

Mar. 17, 1937 2,000 shares, 78 155,973.50

Apr. 12, 1937 100 shares, 81 8,068.75

164,042.25

Less Cost..... 17,241.00

146,801.25

30%

Gain..... 44,040.375SHOWING COST OF MARATHON PAPER MILLS
COM. STOCK

Menasha Printing and Carton Co.

Value Mar. 1, 1913\$350,000.00

July 1, 1917, Invested 152,500.00

502,500.00

Less Preferred Stock sold July 1917 20,000.00

482,500.00Received for 3357 shares Menasha Printing and Carton Co.
stock, securities of Marathon Paper Mills Co., as follows:

\$1,038,000.00 par 5½% Bonds\$ 1,038,000.00

6728 shares Common stock @ \$130.30 876,658.40

\$ 1,914,658.40

\$ 1,038,000.00 equals 54.21% of total received

876,658.40 equals 45.79% of total received

45.79% of \$482,500.00 equals \$220,936.75 or original cost of
6728 shares of common stock or \$32.84 per share.Stock was divided four for one, making original cost of present
common shares \$8.21 per share.

(Testimony of George S. Gaylord.)

Respondent's Exhibit F—(Continued)

G. H. G.

Capital Gains Total

	Gain	Loss
held less than one year		\$ 1,033.80
Held more one year, less than two.....	\$ 1,308.74	
Held more five years, less than ten	1,205.94	
Held more ten years	44,040.37	
	<hr/>	
	46,555.05	
Less loss.....	1,033.80	
	<hr/>	
	\$45,521.25	

Form 872

Conference

Treasury Department
Internal Revenue Service
(Revised May 1940)

Orig. to Bur. 2-17-41

Duplicate

LA:Conf.

CONSENT FIXING PERIOD OF LIMITATION UPON
ASSESSMENT OF INCOME AND PROFITS TAX

Feb. 14, 1941

In pursuance of the provisions of existing Internal Revenue Laws Gertrude H. Gaylord, a taxpayer (or taxpayers) of Pasadena, California, and the Commissioner of Internal Revenue hereby consent and agree as follows:

That the amount of any income, excess-profits, or war-profits taxes due under any return (or returns) made by or on behalf of the above-named taxpayer (or taxpayers) for the taxable year (or years) ended December 31, 1937, under existing acts, or under prior revenue acts, may be assessed at any time on or before June 30, 1942, except that, if a notice of a deficiency in tax is sent to said taxpayer (or taxpayers) by registered mail on or before said date, then the time for making any assessment as aforesaid shall be extended beyond the said date by the number

(Testimony of George S. Gaylord.)

Respondent's Exhibit E—(Continued)

of days during which the Commissioner is prohibited from making an assessment and for sixty days thereafter.

GERTRUDE H. GAYLORD

Taxpayer¹

GUY T. HELVERING

Commissioner of Internal Revenue

By G. D. M.

Date: 2-17-1941.

¹ This consent may be executed by the taxpayer's attorney or agent, provided such action is specifically authorized by a power of attorney, which, if not previously filed, must accompany the consent.

CC for Form 872

February 17, 1941

Mr. George S. Gaylord
Mrs. Gertrude H. Gaylord
c/o James W. Bontems,
215 W. 6th Street,
Los Angeles, California

Dear Sir and Madam :

872

December 31, 1937

June 30, 1942

WM

s.

[Signature stamp illegible]

[Endorsed]: T.C.U.S. Filed Apr. 2, 1943.

Mr. Coon: Gertrude H. Gaylord's return for 1938.

The Judge: Exhibit G.

(The said 1938 return of Gertrude H. Gaylord, so offered and received in evidence was marked Respondent's Exhibit G, and made a part of this record.)

11

FORM 1040

UNITED STATES

FILE

21

1938 INDIVIDUAL INCOME TAX RETURN 1938

FOR NET INCOMES OF MORE THAN \$4,000 FROM SALARIES, WAGES,
DIVIDENDS, INTEREST, ANNUITIES, AND FOR INCOMES FROM
OTHER SOURCES REGARDLESS OF AMOUNTS

For Calendar Year 1938

or fiscal year beginning _____, 1992, and ending _____, 1993

(Before Preparing This Return, Read the Instructions Carefully)

To be filed with the Collector of Internal Revenue for your district not later than the 15th day of the third month following the close of your taxable year.

PRINT NAME AND ADDRESS PLAINLY (See instruction K)

GERTRUDE L. GAYLORD

Содержание

639 Rosemont Avenue

(Name and number, if used, must be)

Pasadena Los Angeles California

Canary

1900

Questions

1014

658040

6 Cent.

Downloaded from <http://ajph.org/> on November 10, 2014

Captain's Quarters

Ca-O-M-O

1990

THE TAX COURT OF THE U. S.

NOV 10 1914

FOR THE BOARD OF DIRECTORS

APR 2 - 1943

~~REDACTED~~ EXHIBIT G
RESPONDENT'S

1890

INCOME

1. Salary and other compensation for personal services. (From Schedule A)
2. Dividends.
3. Interest on bank deposits, notes, mortgages, etc.
4. Interest on corporation bonds.
5. Taxable interest on Government obligations, etc. (From Schedule B)
6. Income (or loss) from partnerships, syndicates, pools, etc. (other than capital gains or losses).
(Attach names and addresses)
7. Income from fiduciaries. (Attach names and addresses)
8. Rents and royalties. (From Schedule C)
9. Income (or loss) from business or profession. (From Schedule D)
10. (a) Net short-term gain from sale or exchange of capital assets. (From Schedule F)
- (b) Net long-term gain (or loss) from sale or exchange of capital assets. (From Schedule F)
- (c) Net gain (or loss) from sale or exchange of property other than capital assets. (From Schedule G)
11. Other income (including income from annuities). (Check whether one separate schedule is necessary)
12. Total income in items 1 to 11. (Enter separately income on Schedule I)

DEDUCTIONS

13. Contributions paid. (Explain in Schedule M)
14. Interest. (Explain in Schedule M)
15. Taxes. (Explain in Schedule M)
16. Losses from fire, storm, shipwreck, or other casualty, or theft. (Explain in Schedule M)
17. Bad debts. (Explain in Schedule M)
18. Other deductions authorized by law. (Explain in Schedule M)
19. Total deductions in items 13 to 18
20. Net income (Item 12 minus item 19)

COMPUTATION OF TAX

- | | | | | | | |
|---|----|-------|----|--|----|--|
| 21. Net income (item 20 above) | \$ | 7,737 | 12 | 28. Normal tax (4% of item 27) | \$ | |
| 22. Less: Personal exemption.
(From Schedule F-1) | \$ | | | 29. Surplus on item 24. (See instructions 29) | \$ | |
| 23. Credit for dependents.
(From Schedule F-1) | \$ | | | 30. Total (item 28 plus item 29) | \$ | |
| 24. Balance (surplus net income) | \$ | | | 31. Total tax (item 30, or if you had a net long-term capital gain or loss, enter line 16, Schedule F) | \$ | |
| 25. Less: Income tax withheld on the investment | \$ | | | 32. Less: Income tax paid at source | \$ | |
| 26. Earned income credit.
(From Schedule E-1 or E-2) | \$ | | | 33. Income tax paid to a foreign country or U.S. possession (Attach Form 1041) | \$ | |
| 27. Balance subject to normal tax | \$ | | | 34. Balance of tax (item 31 minus items 32 and 33) | \$ | |

NOTE.—One form marked "DUPLICATE COPY" must be filed with this original return (RS will be assessed if duplicate copy is not filed)

415

Schedule M.—EXPLANATION OF DEDUCTIONS CLAIMED IN ITEMS 13, 14, 15, 16, 17, AND 18

Page 6

Schedule L.—NONTAXABLE INCOME OTHER THAN INTEREST REPORTED IN SCHEDULE B. (See Instruction 17)

1. Source of income	2. Nature of income	3. Amount
		\$

Schedule J.—EXPLANATION OF CREDITS CLAIMED IN ITEMS 22 AND 23. (See Instructions 22 and 23)

(A) Personal Exemptions			(B) Credits for Dependents		
Name	Number of months during the year in each status	Credit claimed	Name of dependent and relationship	Number of months during the year Under 18 years old Over 18 years old	Credit claimed
Single, or married and not living with husband or wife		\$			\$
Married and living with husband or wife	12	None			
Head of family (explain below)					
Reason for support if over 18 years old					

Schedule K.—COMPUTATION OF EARNED INCOME CREDIT. (See Instruction 24)

(A) If your net income is \$5,000 or less, use only this part of schedule		(B) If your net income is more than \$5,000, use only this part of schedule	
Net income (Item 28, page 1)	\$	Earned net income (not more than \$14,000)	\$
Earned income credit (10% of net income, above)		Net income (Item 28, page 1)	
		Earned income credit (10% of earned net income or net income, above, whichever amount is smaller, but do not enter less than \$300)	

QUESTIONS

1. State your principal occupation or profession. Investments
2. Check whether you are a citizen ☒ or a resident alien ☐.
3. If you filed a return for the preceding year, to which Collector's office was it sent? Los Angeles
4. Are items of income or deductions of both husband and wife included in this return? (See Instruction A) No
5. State name of husband or wife if a separate return was made; principal occupation, if any, claimed thereon; and the Collector's

6. Check whether this return was prepared on the cash ☒ or accrual ☐ basis.
7. Did you at any time during your taxable year own directly or indirectly any stock of a foreign corporation or a personal holding company as defined by section 482? (Answer "yes" or "no") No (If answer is "yes," attach schedule required by Instruction M.)

AFFIDAVIT. (See Instruction 7)

I, George S. Gaylord, declare that this return (including any accompanying schedules and statements) has been examined by me/ us, and to the best of my/ our knowledge and belief is a true, correct, and complete return, made in good faith for the taxable year stated, pursuant to the Revenue Act of 1938 and the regulations issued under authority thereof.

Subscribed and sworn to by Gertrude H. Gaylord
before me this 22nd day of February, 1939

George S. Gaylord
Declarant

Adrian A. Scharf
Notary Public
A return made by or upon must be accompanied by power of attorney. (See Instruction 7)

(If this is a joint return (not made by agent), it must be signed by both husband and wife. It must be sworn to before a proper officer by the person preparing the return. If either or both prepare the return, it must be sworn to by both persons.)

AFFIDAVIT. (See Instruction 7)

(If this return was prepared for you by some other person, the following affidavit must be executed)

I, James W. Donnell & Co., declare that I/ we prepared this return for the person or persons named herein and that the return (including any accompanying schedules and statements) is a true, correct, and complete statement of all the information respecting the income-tax liability of the person or persons for whom this return has been prepared of which I/ we have any knowledge.

Subscribed and sworn to before me this 18th day of February, 1939

James W. Donnell & Co.
Declarant

Carroll E. Speck
Notary Public

JAMES W. DONNELL & CO.
216 W. 6th ST. LOS ANGELES

In and for the County of Los Angeles, State of California My Commission Expires Jan. 13, 1943

100

No.	Where	Black	Red	White	Yellow	Green	Blue
(a) 200	Mainframe	Jan. 17-1937	Apr. 22-1937	1,177.15	3,407.95	1,230.50	
100	Lake Shore	May 11-1937	May 17-1937	602.50	1,455.70	772.36	
1,000	Marathon	Jan. 22-1938	May 17-1938	1,040.87	3,100.40	1,131.78	
	Bay 2. Mine	Apr. 22-1938	May 17-1938	7,164.80	1,031.25	3,666.45	
				1,397.27	3,000.00	4,602.73	
				12,071.15	23,774.95	11,403.2	
(b) 100	Lake Shore	Oct. 1-1937	Oct. 1-1937	5,244.00	5,325.50	21.50	
(c) 100	Barnsdal Oil	Jan. 9-1937	Nov. 18-1937	1,777.15	3,407.95	1,230.50	
100	Los. L. & Mt.	"	"	602.50	1,455.70	772.36	
100	Pure Oil	"	"	1,040.87	3,100.40	1,131.78	
100	Amerada Oil	Apr. 7	"	7,164.80	1,031.25	3,666.45	
500	Burg. Piston R.	May 4	Dec. 23	1,397.27	3,000.00	4,602.73	
				12,071.15	23,774.95	11,403.2	
(d) 2,200	United Dry Dock	Oct. 30-1936	Dec. 1-1936	1,264.53	7,535.00	6,270.47	
		June 13-1936	exchanged for 1 Un. Shipyard				
(e) 200	Marathon P. Mills	Aug. 5-1938		8,397.50			
100	"	Sept. 12-		4,651.75			
100	"	9		4,598.75			
				17,648.00	3,284.00	11,351.00	

(Testimony of George S. Gaylord.)

Respondent's Exhibit G—(Continued)

SHOWING COST OF MARATHON PAPER MILLS
COM. STOCK

Menasha Printing and Carton Co.

Value Mar. 1, 1913	\$350,000.00
July 1, 1917 Invested	152,500.00
	<hr/>
	502,500.00
Less Preferred Stock sold, July 1917.....	20,000.00
	<hr/>
	\$482,500.00
Received for 3,357 shares of Menasha Printing and Carton Co. stock, securities of Marathon Paper Mills, Co., as follows:	
\$1,038,000.00 par 5½% Bonds	1,038,000.00
6,728 shares Common stock @ \$130.30.....	876,658.40
	<hr/>
	\$ 1,914,658.40

\$ 1,038,000.00 equals 54.21% of total received

\$ 876,658.40 equals 45.79% of total received

45.79% of \$482,500.00 equals \$220,936.75 or original cost of
6,728 shares of common stock or \$32.84 per share.

Stock was divided four for one, making original cost of present
common shares \$8.21 per share.

(Testimony of George S. Gaylord.)

Respondent's Exhibit G—(Continued)

GERTRUDE H. GAYLORD

Item 18—Other Deductions

1938

Deductions claimed are as follows:

Taxpayer purchased a one-third interest in business block at Santa Monica, California. After renting property for approximately six months, additional space was required by some of the tenants. After consultation with contractors, it was determined that the building should be razed and a new building erected. The proportionate cost of the interest in the old building as determined from the tax bill valuations of real estate and improvements at the date nearest the date of purchase was.....		\$5,076.11
Cost of insurance, etc., on gold bullion in foreign countries	125.00	
		<hr/>
		\$5,201.11
		<hr/> <hr/>

[Endorsed]: T.C.U.S. Filed Apr. 2, 1943.

Mr. Coon: Gertrude H. Gaylord's return for 1939.

The Judge: Exhibit H.

(The said 1939 return of Gertrude H. Gaylord, so offered and received in evidence was marked Respondent's Exhibit H, and made a part of this record.)

FORM 1040
Treasury Department
Internal Revenue Service

UNITED STATES
INDIVIDUAL INCOME TAX RETURN 1939

Page 1

FOR NET INCOMES OF MORE THAN \$5,000 FROM SALARIES, WAGES,
DIVIDENDS, INTEREST, ANNUITIES, AND FOR INCOMES FROM
OTHER SOURCES REGARDLESS OF AMOUNTS

For Calendar Year 1939

or fiscal year beginning 1939, and ended 1940

To be filed with the Collector of Internal Revenue for your district not later than the 15th day of the third month following the close of your taxable year

PRINT NAME AND ADDRESS PLAINLY. (See Instructions C)

(Please print full name of each husband and wife, if this is a joint return)

639 Roosevelt Avenue

(Street and number, or rural route)

Brooklyn, Los Angeles, California

(Post office)

(County)

(State)

(Do not use these spaces)

7377
8,525.13

RECEIVED
WITH
MAR 15 1940

Full Name

First Name

INCOME

1. Salaries and other compensation for personal services. (From Schedule A)		
2. Dividends	3,255	25
3. Interest on bank deposits, notes, mortgages, etc.	1,215	
4. Interest on corporation bonds		
5. Taxable interest on Government obligations, etc. (From Schedule B)		
6. Income (or loss) from partnerships, syndicates, pools, etc. (other than capital gains or losses). (From income and address)		
7. Income from subsidiaries. (From income and address)		
8. Rents and royalties. (From Schedule C)	5,270	17
9. Income (or loss) from business or profession. (From Schedule D)		
10. (a) Net short-term gain from sale or exchange of capital assets. (From Schedule F)	1,293	63
(b) Net long-term gain (or loss) from sale or exchange of capital assets. (From Schedule F)	3,319	13
(c) Net gain (or loss) from sale or exchange of property other than capital assets. (From Schedule G)		
11. Other income (including income from annuities) (From income)		
12. Total income in items 1 to 11. (Enter net taxable income in Schedule D)		8,107 52

DEDUCTIONS

13. Contributions paid. (Explain in Schedule H)		
14. Interest. (Explain in Schedule H)	150	00
15. Taxes. (Explain in Schedule H)	1,082	21
16. Losses from fire, storm, shipwreck, or other casualty, or theft. (Explain in Schedule H)	2,150	00
17. Bad debts. (Explain in Schedule H)		
18. Other deductions authorized by law. (Explain in Schedule H)	10	00
19. Total deductions in items 13 to 18		3,392 21
20. Net income (Item 12 minus item 19)		4,715 31

COMPUTATION OF TAX

21. Net income (Item 20 above)	\$ 15,711	71	22. Normal tax (4% of item 21)	\$ 628	47
23. Less: Personal exemption. (From Schedule J-1)			23. Surtax on item 24. (See Instructions H)	7	05
24. Credit for dependents. (From Schedule J-2)			24. Total (Item 22 plus item 23)	\$ 635	52
25. Balance (surtax net income)	\$ 15,711	71	25. Total tax (Item 24, or if you had a net long-term capital gain or loss, enter line 16, Schedule F)	\$ 1,352	52
26. Less: Income on Government obligations on the interest 25			26. Less: Income tax paid at source		
27. Earned income credit. (From Schedule K-1 or D-2)	500	00	27. Income tax paid to a foreign source (From U.S. 1111a)		
28. Balance subject to normal tax	\$ 15,211	71	28. Balance of tax (Item 25 minus items 26 and 27)	\$ 1,352	52

NOTE.—One form marked "DUPLICATE COPY" must be filed with this original return (It will be assumed if duplicate copy is not filed)

1712 41

Location	Kind	Depreciation	Total Expenses	Net Income
Alhambra	Stores	385.50	\$1,219.42	\$1,341.35
Amarillo	"	400.00	618.99	1,149.34
Harlingen	"	600.00	1,023.91	851.09
LaJolla	Dwellings	200.00	302.13	55.89
Santa Monica	Stores	562.93	1,470.18	1,984.28
		148.43	\$4,634.63	\$5,270.17

(a) W
(b) A

Location	Kind	Estimated Life at Beginning of Year	Depreciation This Year
Alhambra	Stucco and	20 years	\$ 385.50
Amarillo	Brick (191	7½ years	400.00
Harlingen	Brick and	19 years	600.00
LaJolla	Frame	9 years	200.00
Santa Monica	Stucco and	20 years	562.93
			\$2,148.43

Date of Sale	Description of Item	Taxable Income	
		Short Term Gains	Long Term Gains

(Testimony of George S. Gaylord)

Respondent's Exhibit H—(Continued)

GERTRUDE H. GAYLORD - RENTS - SCHEDULE

Location	Kind	Rents Received	Taxes	Insurance	Commissions	Other Expenses	Depreciation	Total Expenses	Net Income
Alhambra	Stores	\$2,560.77	\$ 444.13	\$ 44.00	\$ 326.25	(a) \$ 19.54	\$ 385.50	\$1,219.42	\$1,341.35
Amarillo	"	1,768.83	212.33	.....	.....	(b) 6.66	400.00	618.99	1,149.34
Harlingen	"	1,875.00	398.67	25.24	.....	.....	600.00	1,023.91	851.09
LaJolla	Dwelling	246.24	91.63	10.50	.....	.....	200.00	302.13	55.89
Santa Monica	Stores	3,454.46	868.53	38.72	.....	.....	562.93	1,470.18	1,984.28
		<u>\$9,904.80</u>	<u>\$2,015.29</u>	<u>\$ 118.46</u>	<u>\$ 326.25</u>	<u>\$ 26.20</u>	<u>\$2,148.43</u>	<u>\$4,634.63</u>	<u>\$5,270.17</u>

(a) Weed cleaning, etc.

(b) Architect's fee.

DEPRECIATION - SCHEDULE

Location	Kind	Date Acquired	Building Cost	Depreciation Prior Years	Remaining Cost	Used	Estimated Life at Beginning of Year	Depreciation This Year
Alhambra	Stueco and steel	Oct. 1938	\$ 7,787.69	\$ 77.75	\$ 7,709.94	20 years	20 years	\$ 385.50
Amarillo	Brick (1916)	June 1938	3,200.00	200.00	3,000.00	8 years	7½ years	400.00
Harlingen	Brick and hollow tile	Aug. 1937	12,000.00	600.00	11,400.00	20 years	19 years	600.00
LaJolla	Frame	1937	2,000.00	200.00	1,800.00	10 years	9 years	200.00
Santa Monica	Stueco and steel	1939	11,258.60	.....	11,258.60	20 years	20 years	562.93
								<u>\$2,148.43</u>

GERTRUDE H. GAYLORD

1939 CAPITAL GAINS AND LOSSES

Date of Sale	Description of Item	Number of Shares	Amount Received	Date Acquired	Cost or Basis	Profit or Loss	Taxable Income		
							Short Term Gains	Long Term Gains 18 to 24 Mos.	Over 24 Mos.
1-11-39	Marathon	100	\$ 3,727.75	3- 1-13	\$ 821.00	\$ 2,906.75	\$		\$ 2,906.75
1-20-39	McIntyre	100	5,384.24	8- 8-38	4,759.50	624.74	624.74		
1-11-39	Uchi 6's		4,650.00	10-24-38	4,350.00	300.00	300.00		
1-11-39	Dome Mines	100	3,216.00	10- 4-37	2,192.50	1,023.50	1,023.50		
1-11-39	Dome Mines	100	3,216.00	10- 4-37	2,192.50	1,023.50	1,023.50		
2- 4-39	411,048 oz. gold		14,100.07	1-17-38	14,499.34	399.27	399.27		
2-17-39	Hudson Bay M. & S.		3,369.93	4-22-38	2,670.00	699.93	699.93		
2-17-39	Phillips Petroleum		3,918.12	11-18-38	4,022.00	103.88	103.88		
2-17-39	McIntyre	100	5,197.64	8- 8-38	4,759.50	438.14	438.14		
2-17-39	Dome Mines	100	3,094.03	4-22-38	2,712.50	381.53	381.53		
3- 1-39	McIntyre P		5,471.74	10-24-38	5,025.00	446.74	446.74		
4-11-39	Marathon P	100	3,615.25	3- 1-13	821.00	2,794.25			2,794.25
6- 2-39	Marathon Paper	100	2,977.75	3- 1-13	821.00	2,156.75			2,156.75
6-13-39	Marathon Paper	100	3,023.75	3- 1-13	821.00	2,202.75			2,202.75
6-20-39	Marathon Paper	100	3,398.75	3- 1-13	821.00	2,577.75			2,577.75
11-11-39	Imperial Tobacoo of Canada		2,954.00	10-24-38	3,090.00	136.00	136.00		
			<u>\$71,315.02</u>		<u>\$54,377.84</u>	<u>\$16,937.18</u>	<u>\$4,298.93</u>		<u>\$12,638.25</u>

(Testimony of George S. Gaylord.)

Respondent's Exhibit H—(Continued)

GERTRUDE H. GAYLORD

Income Tax—1939

Taxpayer shows long term gains on stock of Marathon Paper Mills sold during 1939, which was acquired by her by gift from her husband, George S. Gaylord, in December 1931. The basis for this stock is the basis to the donor, which was, on March 1, 1913, valued as follows:

Menasha Printing and Carton Co.—

Value March 1, 1913	\$350,000.00
July 1, 1917 invested	152,500.00
	<hr/>
	502,500.00
Less—Preferred stock sold July 1917.....	20,000.00
	<hr/>
	\$482,500.00
	<hr/> <hr/>

Received for 3,357 shares Menasha Printing and Carton Co. stock, securities of Marathon Paper Mills Co., as follows:

\$1,038,000.00 par 5½% Bonds	\$ 1,038,000.00
6,728 shares Common stock @ \$130.30.....	876,658.40
	<hr/>
	\$ 1,914,658.40
	<hr/> <hr/>

\$ 1,038,000.00 equals 54.21% of total received.

876,658.40 equals 45.79% of total received.

45.79% of \$482,500.00 equals \$220,936.75 or original cost of 6,728 shares of common stock, or \$32.84 per share.

Stock was divided four for one, making original cost of present common shares \$8.21 per share.

Conferences are now pending with the Bureau of Internal Revenue to determine the correctness of the above value.

[Endorsed]: T.C.U.S. Filed Apr. 2, 1943.

(Testimony of George S. Gaylord.)

Mr. Coon: Now, the fiduciary returns.

The Judge: All right.

Mr. Coon: I have the return, the fiduciary return of George S. Gaylord and Gertrude H. Gaylord, trustees, and so forth, for 1936.

The Judge: That will be Exhibit I. [350]

(The said 1936 fiduciary return so offered and received in evidence was marked Respondent's Exhibit I, and made a part of this record.)

(Testimony of George S. Gaylord.)

Respondent's Exhibit I—(Continued)

Schedule A—PROFIT (OR LOSS) FROM TRADE OR
BUSINESS. (See Instruction 1)

[Followed by printed form not filled in]

Schedule B—INCOME FROM RENTS AND ROYALTIES

(See Instruction 5)

[Followed by printed form not filled in]

Schedule C.—CAPITAL GAINS AND LOSSES (FROM
SALES OR EXCHANGES ONLY). (See Instruction 6)

See C attached

Schedule D.—INCOME FROM DIVIDENDS

Itemize all dividends received during the year, stating amounts
and names and addresses of corporations declaring the divi-
dends: Sunstrand Machine Tool Co., \$798.80.

Schedule E.—EXPLANATION OF DEDUCTIONS CLAIMED
IN ITEMS 10, 11, 13, 14, and 15

[Followed by printed form not filled in]

AFFIDAVIT. (See Instruction 24)

I swear (or affirm) that this return (including its accom-
panying schedules and statements, if any) has been examined
by me, and, to the best of my knowledge and belief, is a true,
correct, and complete return, made in good faith for the account-
ing period stated, pursuant to the Revenue Act of 1936 and the
Regulations issued thereunder.

GERTRUDE H. GAYLORD

(Signature of fiduciary or officer
representing fiduciary)

GEORGE S. GAYLORD

(Address of fiduciary or officer)

Trustees

Subscribed and sworn to before me this 8th day of February,
1937.

(Notarial Seal)

ALICE F. JACKSON

(Signature of officer administering oath)

Notary Public

(Title)

(Testimony of George S. Gaylord.)

Respondent's Exhibit I—(Continued)

SCHEDULE C

Capital Gains on Securities held less than one year

Bought Jun. 8 '36 200 Sundstrand M. Tool, 15 $\frac{3}{4}$\$3,150.00

Sold Oct. 16 '36

100 Sundstrand M. Tool, 22.....\$2,176.99

100 Sundstrand M. Tool, 22 $\frac{1}{2}$ 2,227.00

4,403.99

Gain.....\$1,253.99

Held over 10 years

The following shares acquired by Trustees by gift Nov. 7, 1935 from George S. Gaylord and his wife Gertrude H. Gaylord, who acquired hers from G. S. Gaylord in 1931 by gift.

The cost per share of the following Marathon Paper Mills Com. goes back to Mar. 1, 1913, as per explanation attached.

Sold

All the following is Marathon Paper Mills com.

Apr. 1, 1936	75	31	.....\$	2,323.71
Apr. 7	175	31	.....	5,422.81
Apr. 7	250	30	.....	7,496.88
Apr. 15	1000	31	.....	30,999.30
May 20	250	33	.....	8,246.87
June 10	250	33 $\frac{1}{4}$	.....	8,309.37
Dec. 3	1000	42	.....	41,938.82
Dec. 4	500	42	.....	20,969.33
Dec. 11	500	42	.....	20,969.96
	<hr/> 4000			<hr/> 146,677.05

Cost per share (see attached) \$8.21

4000 shares @ \$8.21 32,840.

Gain..... 113,837.05

30% of \$113,837.05\$33,851.11

Plus gain held less than one year, above..... 1,253.99

Total Gain..... 35,105.10

(Testimony of George S. Gaylord.)

Respondent's Exhibit I—(Continued)

SHOWING COST OF MARATHON PAPER MILLS
COM. STOCK

Menasha Printing and Carton Co.

Value March 1, 1913\$350,000.00

July 1, 1917 invested 152,500.00

502,500.00

Less Preferred Stock sold, July 1917..... 20,000.00

482,500.00

Received for 3357 shares Menasha Printing and Carton Company stock, securities of Marathon Paper Mills Co., as follows:

\$1,038,000.00 par 5½% Bonds.....\$ 1,038,000.00 *54.21

6728 shares Common Stock @ 130.30.. 876,658.40 *45.79

\$ 1,914,658.40* = 100.00%

\$ 1,038,000.00 equals 54.21% of total received.

876,658.40 equals 45.79% of total received.

45.79% \$482,500.00 equals \$220,936.75 or original cost of 6728 shares of common stock or \$32.84 per share.

Stock was divided four for one, making original cost of present common shares \$8.21 per share.

Interest Received

Pulliam Mortgage Co., 422 So. Spring St.,

Los Angeles\$1,001.24

Bank of Montreal 152.39

1,153.63

* Figures added in pencil.

[Endorsed]: T.C.U.S. Filed Apr. 2, 1943.

Mr. Coon: The trustee's return for the same parties for 1937.

The Judge: Exhibit J.

(The said trustee's return for 1937, so offered and received in evidence was marked Respondent's Exhibit J, and made a part of this record.)

(Testimony of George S. Gaylord.)

Respondent's Exhibit J—(Continued)

Schedule C.—INCOME FROM RENTS AND ROYALTIES.

(See Instruction 6)

[Followed by printed form not filled in]

Schedule D.—EXPLANATION OF DEDUCTION FOR DEPRECIATION CLAIMED IN SCHEDULE C. (See Instruction L)

[Followed by printed form not filled in]

Schedule E.—CAPITAL GAINS AND LOSSES FROM SALES OR EXCHANGES OF PROPERTY. (See Instruction 7.)

State how property was acquired: By gift Nov. 7, 1935.

Schedule F.—EXPLANATION OF DEDUCTIONS CLAIMED IN ITEMS 11, 12, and 13

[Followed by printed form not filled in]

Schedule G.—NONTAXABLE INCOME OTHER THAN INTEREST REPORTED IN SCHEDULE B. (See Instruction K)

[Followed by printed form not filled in]

QUESTIONS

1. If a return of income was filed for the preceding year, to which Collector's office was it sent? Los Angeles.
2. Date estate or trust was created: Nov. 7, 1935.
3. If copy of will or trust instrument and statement required under Instruction I have been previously furnished, state when and where filed: Nov. 7, 1935, Los Angeles.
4. Check whether this return was prepared on the cash [☒] or accrual [☐] basis.
5. Did the estate or trust at any time during the taxable year own directly or indirectly any stock of a domestic or foreign personal holding company? (Answer "Yes" or "No"): No. If answer is "yes," attach schedule as required by Instruction N.
6. If return is for a trust, does the trust instrument require or permit the accumulation of any portion of the income of the trust? Yes.
7. If return is for a trust, state name and address of grantor: George S. Gaylord - Gertrude H. Gaylord, 639 Rosemont Ave., Pasadena.

(Testimony of George S. Gaylord.)
Respondent's Exhibit J—(Continued)

AFFIDAVIT. (See Instruction F)

I swear (or affirm) that this return (including any accompanying schedules and statements) has been examined by me, and to the best of my knowledge and belief, is a true, correct, and complete return, made in good faith for the taxable year stated, pursuant to the Revenue Acts of 1936 and 1937 and the Regulations issued thereunder.

GEORGE S. GAYLORD
GERTRUDE H. GAYLORD
(Signature of fiduciary or officer representing fiduciary)

Subscribed and sworn to before me this 3rd day of March, 1938.

[Signature illegible]

Notary Public in and for the County of Los Angeles, State of California.

TRUSTEES

Held over 1 year, less than 2 yrs.—80%

Bought	Shares	
June 8, 1936	300 Sundstrand Meh. Tool, 15¾	\$4,725.00
Sold		
Sept. 10, 1937	100 Sundstrand Me. Tool, 18½	1,831.92
Sept. 23, 1937	200 Sundstrand Me. Tool, 17¾	3,513.92
Aug. 6, 1937	300 Sundstrand Rites, 2/32	15.12
Sold.....		5,360.96
Bought.....		4,725.00
		635.96
		80%
Gain.....		\$ 508.768

(Testimony of George S. Gaylord.)

Respondent's Exhibit J—(Continued)

TRUSTEES

Held over 10 years—30%

See attached for Marathon Paper Mills Com. Stock Cost as of
March 1, 1913, of \$8.21 per share.

Cost			
1600 Shares, \$8.21		\$	13,126.00
Sold	Shares		
Feb. 19, 1937	500 Marathon Com., 65.....	32,493.75	
March 17, 1937	1000 Marathon Com., 78.....	77,980.95	
April 21, 1937	100 Marathon Com., 82½....	8,242.52	
		<hr/>	
		118,717.22	
	Less Cost.....	13,126.00	
		<hr/>	
		105,591.22	
		30%	
		<hr/>	
	Gain.....	\$	31,677.366
		<hr/>	

SHOWING COST OF MARATHON PAPER MILLS
COM. STOCK

Menasha Printing and Carton Co.

Value Mar. 1, 1913	\$350,000.00
July 1, 1917 Invested	152,500.00

502,500.00

Less Preferred Stock sold, July 1917.....	20,000.00
---	-----------

482,500.00

Received for 3357 shares Menasha Printing and Carton Co.
stock, securities of Marathon Paper Mills Co., as follows:

\$1,038,000.00 par 5½% Bonds	\$ 1,038,000.00
6728 shares Common stock @ \$130.30	876,658.40

\$ 1,914,658.40

\$ 1,038,000.00 equals 54.21% of total received.

876,658.40 equals 45.79% of total received.

45.79% of \$482,500.00 equals \$220,936.75 or original cost of
6728 shares of common stock or \$32.84 per share.

Stock was divided four for one, making original cost of present
common shares \$8.21 per share.

(Testimony of George S. Gaylord.)

Respondent's Exhibit J—(Continued)

TRUSTEES

	Loss	Gain
Stocks held less than 1 year.....	\$12,504.55	
Stocks held 1 yr. less than 2 yrs.....		\$ 508.77
Stocks held over 10 yrs.		31,677.37
		<hr/>
		32,186.14
Less Loss.....	12,504.55	
		<hr/>
Net Gain.....		19,681.59
		<hr/>

TRUSTEES 1937

Held less than one year

Bought	Shares	
June 8, 1937	100 Continental Oil Del., 44 $\frac{5}{8}$	\$ 4,483.10
June 4, 1937	100 Phillips Pet., 50 $\frac{1}{4}$	5,048.40
June 12, 1937	\$9,000 Third Ave. 5's 1960, 41.....	3,713.85
June	1,000 Third Ave. 5's 1960, 41 $\frac{3}{8}$	416.40
June	2,000 Third Ave. 5's 1960, 41 $\frac{3}{4}$	840.30
June	8,000 Third Ave. 5's 1960, 41 $\frac{7}{8}$	3,371.20
Mar. 15, 1937	20,000 Third Ave. 5's 1960, 39.....	7,851.60
Oct. 21, 1937	42 Marathon Paper Mills Pfd. (3.00 Div. on Com.) Par.....	4,200.00
		<hr/>
		29,924.85

Sold

Sept. 23, 1937	100 Continental Oil Del.	3,887.57
Sept. 14, 1937	100 Phillips Pet., 53	5,267.49
Aug. 3, 1937	\$1,000 Third Ave. 5's 1960, 16 $\frac{3}{4}$	164.59
Aug. 12, 1937	2,000 Third Ave. 5's 1969, 16 $\frac{1}{2}$	324.19
Aug. 24, 1937	1,000 Third Ave. 5's 1960, 15 $\frac{1}{4}$	149.59
Aug. 24, 1937	2,000 Third Ave. 5's 1960, 15 $\frac{1}{2}$	304.19
July 27, 1937	10,000 Third Ave. 5's 1960, 17.....	1,670.96
July 27, 1937	5,000 Third Ave. 5's 1960, 17 $\frac{1}{2}$	860.48
Dec. 28, 1937	9,000 Third Ave. 5's 1960, 55 $\frac{5}{8}$	491.38
Dec. 28, 1937	10,000 Third Ave. 5's 1960, 51 $\frac{1}{2}$	522.27
Nov. 16, 1937	42 Shares Marathon Pfd., 90.....	3,777.59
		<hr/>
		17,420.30

(Testimony of George S. Gaylord.)

Respondent's Exhibit J—(Continued)

Bought.....	\$29,924.85
Sold.....	17,420.30
	<hr/>
Loss.....	12,504.55
	<hr/>

[Endorsed]: T.C.U.S. Filed Apr. 2, 1943.

— — —

Mr. Coon: The fiduciary return for the same parties for 1938.

The Judge: Exhibit K.

(The said fiduciary return for 1938, so offered and received in evidence was marked Respondent's Exhibit K, and made a part of this record.)

(Testimony of George S. Gaylord.)

RESPONDENT'S EXHIBIT K

Treasury Department

Form 1041

Internal Revenue Service

United States

1938

FIDUCIARY INCOME TAX RETURN

1938

(For Estates and Trusts)

For Calendar Year 1938

or fiscal year beginning....., 1938, and ended....., 1939

File this return not later than the 15th day of the third month following the
close of the taxable year

(Print Names and Address Plainly Below)

Name of Estate or Trust

GEORGE S. and GERTRUDE H. GAYLORD TRUST

(Auditor's
Stamp)Name and Address of
FiduciaryDo Not Use
This SpaceGeorge S. and Gertrude H.
Gaylord, TrusteesSerial No.
950452639 Rosemont Avenue
Pasadena, California

(Cashier's Stamp)

Item and
Instruction No.

INCOME

- | | | |
|-----|---|-------------|
| 1. | Dividends | \$ 3,627.71 |
| 2. | Interest on bank deposits, notes, corporation bonds, etc. (except interest to be reported in item 3)..... | 1,252.36 |
| 6. | Rents and royalties (from Schedule C) | 4,641.64 |
| 7. | (b) Net long-term gain (or loss) from sale or exchange of capital assets (from Schedule E)..... | 12,305.49 |
| 10. | Total income in items 1 to 9 (enter nontaxable income in Schedule B and H)..... | \$21,827.20 |

(Testimony of George S. Gaylord.)

Respondent's Exhibit K—(Continued)

Item and
Instruction No.

DEDUCTIONS

11.	Interest (explain in Schedule G).....	\$ 616.25
13.	Other deductions authorized by law (explain in Schedule G).....	5,311.09
14.	Total deductions in items 11 to 13.....	\$ 5,927.34
15.	Balance (item 10 minus item 14).....	\$15,899.86
16.	Less amount distributable to beneficiaries (from Schedule A, columns 2 and 9, and Schedule B, line (h), column 5).....	15,899.86
17.	Net income (taxable to fiduciary) (item 15 minus item 16)	\$ none

COMPUTATION OF TAX

18.	Net income (item 17 above).....	\$ none
29.	Balance of tax (item 26 minus items 27 and 28)....	\$ none

Schedule A. — BENEFICIARIES' SHARES OF INCOME AND CREDITS. (Include as beneficiaries persons to whom amounts were paid or set aside for religious, charitable, etc., purposes) (See Instruction 16)

1. Name and address of each beneficiary (designate nonresident aliens)	2. Taxable income exclu- sive of interest on Gov- ernment obligations and dividends on share ac- counts of Federal savings and loan associations
(a) Margaret G. Ruppel	
(b) 2225 Robles Avenue, Altadena	\$ 7,949.93
(c) Gertrude G. Bruce	
(d) 1466 Charlton Road, San Marino	7,949.93
Total of beneficiaries' shares.....	\$ 15,899.86

Schedule B. — INTEREST ON GOVERNMENT OBLIGATIONS, ETC. (See Instruction 4)

[Followed by printed form not filled in]

(Testimony of George S. Gaylord.)

Respondent's Exhibit K—(Continued)

Schedule C.—INCOME FROM RENTS AND ROYALTIES.

(See Instruction 6)

[Followed by printed form not filled in]

Schedule D.—EXPLANATION OF DEDUCTION FOR DEPRECIATION CLAIMED IN SCHEDULE C, E, and F.

(See Instruction L)

[Followed by printed form not filled in]

Schedule E.—GAINS AND LOSSES FROM SALES OR EXCHANGES OF CAPITAL ASSETS. (See Instruction 7)

1. Kind of prop- erty (if necessary attach statement of descriptive details not shown below)	4. Gross sales price (contract price)	5. Cost or other basis	8. Gain or loss (col. 4 plus col. 7 minus the sum of cols. 5 and 6)	9. %	10. Amount
Short-Term Capital Gains and Losses—Assets Held Not More Than 18 Months					
Item (a)	\$4,974.97	\$5,122.50	\$ 147.53	100	\$ 147.53
Item (b)	4,999.97	5,022.50	22.53	100	22.53
Total net short-term capital gain or loss (enter in line 1, column 2, of summary below)					\$170.06
Long-Term Capital Gains and Losses—Assets Held for More Than 18 Months But Not for More Than 24 Months					
Item (c)	\$11,408.54	\$19,493.15	\$8,084.61	66⅔	\$5,389.74
Long-Term Capital Gains and Losses—Assets Held for More Than 24 Months					
Item (d)	\$43,600.45	\$8,210.00	\$35,390.45	50	17,695.23
Total net long-term capital gain or loss (enter in line 2, column 2, of summary below)					\$12,305.49

(Testimony of George S. Gaylord.)

Respondent's Exhibit K—(Continued)

Summary of Capital Net Gains or Losses

1. Classification	2. Loss	4. Loss
1. Total net short-term capital gain or loss (enter as item 7(a), page 1, amount of gain shown in col. 4)	\$ 170.06	No net loss allowable (See Instruction 7)
2. Total net long-term capital gain or loss (enter as item 7(b), page 1, amount of gain or loss shown in col. 4).....	\$12,305.49	\$12,305.49

*2. Net gain or loss to be taken into account from col. 10, above.

*4. Total net gain or loss to be taken into account in columns 2 and 3 of this summary.

If any of the above items were acquired by you other than by purchase, explain fully how acquired: Item (d) acquired in formation of trust.

Schedule F.—GAINS AND LOSSES FROM SALES OR EXCHANGES OF PROPERTY OTHER THAN CAPITAL ASSETS. (See Instruction 7)

[Followed by printed form not filled in]

Schedule G.—EXPLANATION OF DEDUCTIONS CLAIMED IN ITEMS 11, 12, and 13. (See Instructions 11, 12, and 13)

Item 11—Interest on mortgage indebtedness.

Schedule H.—NONTAXABLE INCOME OTHER THAN INTEREST REPORTED IN SCHEDULE B. (See Instruction 10)

[Followed by printed form not filled in]

QUESTIONS

1. If a return of income was filed for the preceding year, to which collector's office was it sent? Los Angeles.
2. Date estate or trust was created: Nov. 7, 1935.
3. If copy of will or trust instrument and statement required under Instruction I have been previously furnished, state when and where filed: Nov. 7, 1935: Los Angeles.

(Testimony of George S. Gaylord.)

Respondent's Exhibit K—(Continued)

Questions—(Continued)

4. Check whether this return was prepared on the cash [☒] or accrual [☐] basis.
5. Did the estate or trust at any time during the taxable year own directly or indirectly any stock of a foreign corporation or a personal holding company as defined in section 402? (Answer "Yes" or "No"): No. If answer is "yes" attach schedule as required by Instruction N.
6. If return is for a trust, does the trust instrument require or permit the accumulation of any portion of the income of the trust? No.
7. If return is for a trust, state name and address of grantor: George S. and Gertrude H. Gaylord, 639 Rosemont Ave., Pasadena.

AFFIDAVIT. (See Instruction F')

I swear (or affirm) that this return (including any accompanying schedules and statements) has been examined by me, and to the best of my knowledge and belief, is a true, correct, and complete return, made in good faith for the taxable year stated, pursuant to the Revenue Act of 1938 and the Regulations issued thereunder.

GEORGE S. GAYLORD

GERTRUDE H. GAYLORD

Trustees

(Signature of fiduciary or officer representing fiduciary)

Subscribed and sworn to before me this 23rd day of February, 1939.

(Seal)

ALICE F. JACKSON

Notary Public

My Commission Expires Sept. 19, 1939.

(If this return was prepared for you by some other person, the following affidavit must be executed)

AFFIDAVIT. (See Instruction F')

I/we swear (or affirm) that I/we prepared this return for the person named herein and that the return (including any accompanying schedules and statements) is a true, correct, and

(Testimony of George S. Gaylord.)

Respondent's Exhibit K—(Continued)

complete statement of all the information respecting the income tax liability of the person for whom this return has been prepared of which I/we have any knowledge.

JAMES W. BONTEMS

(Signature of person preparing this return)

JAMES W. BONTEMS & CO.

215 W. 6th St., Los Angeles

(Name of firm, or employer, if any)

Subscribed and sworn to before me this 21st day of February, 1939.

(Seal)

DOROTHY SPECKELS

(Signature of officer administering oath)

Notary Public in and for the County of Los Angeles, State of California.

My Commission Expires Jan. 12, 1943.

GEORGE S. GAYLORD and GERTRUDE H. GAYLORD TRUST

Schedule C—Income from Rents and Royalties—1938

Property	Rent	Depreciation	Other	Net Profit
	Received		Expense	
1. Alhambra—business	697.41	77.75	35.10	584.56
2. Amarillo—business	1,063.53	200.00	64.75	798.78
3. McAllen—business	1,893.34	333.33	127.26	1,432.75
4. Santa Monica—business	1,856.58		31.03	1,825.55
	<u>5,510.86</u>	<u>611.08</u>	<u>258.14</u>	<u>4,641.64</u>

Schedule E—Depreciation claimed in Schedule C

	Date Acq	Est. Rem	Cost	Remaining Cost	Deprn.
		Life			this year
1. Stueco	1938	20 Y	3,110.00	3,110.00	77.75
2. Brick	1938	8 Y	3,200.00	3,200.00	200.00
3. Brick	1938	12 Y	8,000.00	8,000.00	333.33
			<u>14,310.00</u>	<u>14,310.00</u>	<u>611.08</u>

GEORGE S. and GERTRUDE M. GAYLORD TRUSTSchedule E - Gains and Losses from Sales or Exchanges
of Capital Assets - 1938

- - - - -

No. Shares	Stock	Date Acquired	Date Sold	Sales Price	Cost or Basis	Profit or Loss
(a) 100	Lake Shore M.	Nov. 10-37	Oct. 24-38	\$4,974.97	\$5,122.50	\$ 147.53
(b) 100	Lake Shore M.	Sep. 30-37	Oct. 24-38	4,999.97	5,022.50	22.53
(c) 100	Barnedal Oil	Jan. 5-37	Nov. 18-38	1,777.46	2,695.45	917.99
100	Creole Pet.	" 8-37	" " "	2,262.74	3,756.10	1,493.36
100	Louisiana Land	" " "	" " "	682.94	1,455.30	772.36
100	Pure Oil	" " "	" " "	1,048.92	2,192.80	1,143.88
100	Standard Ind.	" " "	" " "	2,811.74	4,796.75	1,984.01
100	Shelly Oil	" " "	" " "	2,824.74	4,595.75	1,771.01
				11,408.84	19,493.15	8,084.31
(d) 100	Marathon Paper	Nov. 7-35	Aug. 5-38	4,319.75		
100	Kills Co.	" " "	" " "	4,444.75		
200	(acquired from trustees	Nov. 7, 1935 basis	Sept. 20-38	9,203.50		
100	being March 1, 1913		Oct. 4-38	4,326.75		
100	value, same as in hands		Oct. 5-38	4,376.75		
100	of trustees.)		Oct. 25-38	4,296.75		
50			Oct. 26-38	2,111.85		
150			Nov. 5-38	6,336.60		
100			Nov. 15-38	4,251.75		
1,000	Totals			43,600.45	8,210.00	35,390.45

K.6

(Testimony of George S. Gaylord.)

Respondent's Exhibit K—(Continued)
SHOWING COST OF MARATHON PAPER MILLS
COM. STOCK

Menasha Printing and Carton Co.

Value Mar. 1, 1913\$350,000.00

July 1, 1917 Invested 152,500.00

502,500.00

Less Preferred Stock Sold, July 1917..... 20,000.00

\$482,500.00

Received for 3,357 shares Menasha Printing and Carton Co.
stock, securities of Marathon Paper Mills Co., as follows:

\$ 1,038,000.00 par 5½% Bonds\$ 1,038,000.00

6,728 shares Common Stock @ \$130.30 876,658.40

\$ 1,914,658.40

\$ 1,038,000.00 equals 54.21% of total received.

876,658.40 equals 45.79% of total received

45.79% of \$482,500.00 equals \$220,936.75 or original cost of
6,728 shares of common stock or \$32.84 per share.

Stock was divided four for one, making original cost of present
common shares \$8.21 per share.

(Testimony of George S. Gaylord.)

Respondent's Exhibit K—(Continued)

GEORGE S. and GERTRUDE GAYLORD TRUST

Item 18—Other Deductions—1938

Deductions claimed are as follows:

Taxpayer purchased a one-third interest in business block at Santa Monica, California. After renting property for approximately six months, additional space was required by some of the tenants. After consultation with contractors, it was determined that the building should be razed and a new building erected. The proportionate cost of the interest in the old building as determined from the tax bill valuations of real estate and improvements at the date nearest the date of purchase was.....		\$5,076.11
Cost of insurance, etc. on gold bullion in foreign countries		234.98
		<hr/>
		\$5,311.09
		<hr/> <hr/>

[Endorsed]: T.C.U.S. Filed Apr. 2, 1943.

Mr. Coon: The fiduciary return for the same parties for 1939.

The Judge: Exhibit L.

(The said fiduciary return for 1939, so offered and received in evidence was marked Respondent's Exhibit L, and made a part of this record.)

(Testimony of George S. Gaylord.)

RESPONDENT'S EXHIBIT L

[Stamped] : Received Jun. 10, 1940. Revenue Agent in Charge,
Los Angeles Division.

Treasury Department

Form 1041

Internal Revenue Service

United States

1939

FIDUCIARY INCOME TAX RETURN

1939

(For Estates and Trusts)

For Calendar Year 1939

or fiscal year beginning....., 1939, and ended....., 1940

File this return not later than the 15th day of the third
month following the close of the taxable year

(Print Names and Address Plainly Below)

Name of Estate or Trust

GEORGE S. and GERTRUDE H. GAYLORD TRUST

(Auditor's
Stamp)Name and Address of
FiduciaryDo Not Use
These SpacesGeorge S. and Gertrude H.
Gaylord, TrusteesSerial No.
952650639 Rosemont Avenue,
Pasadena, California

(Cashier's Stamp)

Item and
Instruction No.

INCOME

1. Dividends\$ 2,193.47
2. Interest on bank deposits, notes, corporation bonds, etc. (except interest to be reported in item 3)..... 768.86
6. Rents and royalties (from Schedule C) 8,302.56
7. (a) Net short-term gain from sale or exchange of capital assets (from Schedule E) 6,202.27
- (b) Net long-term gain (or loss) from sale or exchange of capital assets (from Schedule E) 5,557.88
10. Total income in items 1 to 9 (enter nontaxable income in Schedules B and H).....\$23,025.04

(Testimony of George S. Gaylord.)

Respondent's Exhibit L—(Continued)

Item and Instruction No.	DEDUCTIONS
11. Interest (explain in Schedule G).....	\$ 450.00
13. Other deductions authorized by law (explain in Schedule G)	109.65
14. Total deductions in items 11 to 13.....	559.65
15. Balance (item 10 minus item 14).....	\$22,465.39
16. Less amount distributable to beneficiaries (from Schedule A, columns 2, 7b, 8b, and 9).....	22,465.39

COMPUTATION OF TAX

18. Net income (item 17 above).....	\$ None
29. Balance of tax (item 26 minus items 27 and 28) \$	None

Schedule A.—BENEFICIARIES' SHARES OF INCOME AND CREDITS. (Include as beneficiaries persons to whom amounts were paid or set aside for religious, charitable, etc., purposes) (See Instruction 16)

1. Name and addresses of each beneficiary (designate nonresident aliens)	2. Taxable income exclusive of interest on Government obligations and dividends on share accounts of Federal savings and loan asso- ciations
(a) Margaret G. Ruppel	
(b) 2225 Robles Avenue, Altadena	\$ 11,232.70
(c) Gertrude G. Bruce,	
(f) 1466 Charlton Road, San Marino	11,232.69
Total of beneficiaries' shares	\$ 22,465.39

Schedule B.—INTEREST ON GOVERNMENT OBLIGATIONS, ETC. (See Instruction 4)

[Followed by printed form not filled in]

Schedule C.—INCOME FROM RENTS AND ROYALTIES
(See Instruction 6)

See Schedule Attached

(Testimony of George S. Gaylord.)

Respondent's Exhibit L—(Continued)

Schedule D.—EXPLANATION OF DEDUCTION FOR DEPRECIATION CLAIMED IN SCHEDULES C, E, AND F. (See Instruction L.)

See Schedule Attached

Schedule E.—GAINS AND LOSSES FROM SALES OR EXCHANGES OF CAPITAL ASSETS. (See Instruction 7)

	8. Gain or loss (col. 4 plus col.7 minus the sum of cols. 5 and 6)	Gain or loss to be taken into account	
		9. %	10. Amount
Short-Term Capital Gains and Losses—Assets Held Not More Than 18 Months			
See Schedule Attached	\$ 6,202.27	100	\$6,202.27
Long-Term Capital Gains and Losses—Assets Held for More Than 24 Months			
See Schedule Attached	\$11,115.75	50	\$5,557.88

Summary of Capital Net Gains or Losses

1. Classification	3. Net gain or loss to be taken into account from col. 10, above	5. Total net gain or loss to be taken into account in cols. 2, 3 and 4 of this summary
	Gain	Gain
1. Total net short-term capital gain or loss (enter as item 7(a), page 1, amount of gain shown in col. 5).....	\$6,202.27	\$6,202.27
2. Total net long-term capital gain or loss (enter as item 7(b), page 1, amount of gain or loss shown in col. 5).....	\$5,557.88	\$5,557.88

State the family, fiduciary, or business relationship to you, if any, of purchaser of any of the above items: None.

If any of the above items were acquired by you other than by purchase, explain fully how acquired: See schedule attached.

(Testimony of George S. Gaylord.)

Respondent's Exhibit I—(Continued)

Schedule F.—GAINS AND LOSSES FROM SALES OR EXCHANGES OF PROPERTY OTHER THAN CAPITAL ASSETS. (See Instruction 7)

[Follow by printed form not filled in]

Schedule G.—EXPLANATION OF DEDUCTIONS CLAIMED IN ITEMS 11, 12, and 13. (See Instructions 11, 12, and 13)

1. Item No.	2. Explanation	3. Amount
11	Mortgage indebtedness	\$ 450.00
13	Accounting fees	80.19
	Discount, etc.	29.46
		<hr/>
		\$ 109.65

Schedule H.—NONTAXABLE INCOME OTHER THAN INTEREST REPORTED IN SCHEDULE B. (See Instruction 10)

[Followed by printed form not filled in]

QUESTIONS

1. If a return of income was filed for the preceding year, to which collector's office was it sent? Los Angeles.
2. Date estate or trust was created: Nov. 7, 1935.
3. If copy of will or trust instrument and statement required under Instruction I have been previously furnished, state when and where filed: Nov. 7, 1935, Los Angeles.
4. Check whether this return was prepared on the cash [☒] or accrual [☐] basis.
5. Did the estate or trust at any time during the taxable year own directly or indirectly any stock of a foreign corporation or a personal holding company as defined in section 501? (Answer "Yes" or "No"): No. If answer is "yes," attach schedule as required by Instruction N.
6. If return is for a trust, state name and address of grantors: George S. Gaylord and Gertrude H. Gaylord, 639 Rosemont Avenue, Pasadena, Cal.

(Testimony of George S. Gaylord.)

Respondent's Exhibit L—(Continued)

AFFIDAVIT. (See Instruction F)

I swear (or affirm) that this return (including any accompanying schedules and statements) has been examined by me, and to the best of my knowledge and belief, is a true, correct and complete return, made in good faith for the taxable year stated, pursuant to the Internal Revenue Code, as amended, and the regulations issued thereunder.

GEORGE S. GAYLORD

GERTRUDE H. GAYLORD

(Signature of fiduciary or officer representing fiduciary)

Subscribed and sworn to before me this 27th day of February, 1940.

(Seal)

DOROTHY SPECKELS

(Signature of officer administering oath)

Notary Public in and for the County of Los Angeles, State of California.

My Commission Expires Jan. 12, 1943.

(If this return was prepared for you by some other person, the following affidavit must be executed.)

AFFIDAVIT. (See Instruction F)

I/we swear (or affirm) that I/we prepared this return for the person named herein and that the return (including any accompanying schedules and statements) is a true, correct, and complete statement of all the information respecting the income tax liability of the person for whom this return has been prepared of which I/we have any knowledge.

JAMES W. BONTEMS

(Signature of person preparing the return)

JAMES W. BONTEMS & CO.

215 W. 6th St., Los Angeles

(Name of firm, or employer, if any)

Subscribed and sworn to before me this 26 day of February, 1940.

(Seal)

DOROTHY SPECKELS

(Signature of officer administering oath)

Notary Public in and for the County of Los Angeles, State of California.

My Commission Expires Jan. 12, 1943.

(Testimony of George S. Gaylord)

Respondent's Exhibit L—(Continued)

GEORGE S. GAYLORD AND GERTRUDE H. GAYLORD TRUST

RENTS - SCHEDULE

Location	Kind	Rent Received	Taxes	Insurance	Commissions	Other Expenses	Depreciation	Total Expenses	Net Income
Alhambra	Stores	\$ 2,560.77	\$ 444.12	\$ 44.00	\$ 326.25	(a) \$ 19.55	\$ 385.50	\$1,219.42	\$1,341.35
Amarillo	"	1,768.34	259.82	.....	.....	(b) 6.66	400.00	666.48	1,101.86
Alice	"	3,546.47	722.85	39.68	.....	.....	1,050.00	1,812.53	1,733.94
Harlingen	"	1,875.00	398.66	8.22	.....	.....	600.00	1,006.88	868.12
McAllen	"	2,443.56	352.55	107.85	.....	.....	666.67	1,127.07	1,316.49
Santa Monica	"	3,410.98	868.53	38.72	.....	.....	562.93	1,470.18	1,940.80
		<u>\$15,605.12</u>	<u>\$3,046.53</u>	<u>\$ 238.47</u>	<u>\$ 326.25</u>	<u>\$ 26.21</u>	<u>\$3,665.10</u>	<u>\$7,302.56</u>	<u>\$8,302.56</u>

(a) Weed expense, etc.

(b) Architect's fee.

DEPRECIATION - SCHEDULE

Location	Kind	Date Acquired	Building Cost	Depreciation prior years	Remaining Cost	Used	At beginning of year	Depreciation this year
Alhambra	Stucco and steel	Oct. 1938	\$ 7,787.69	\$ 77.75	\$ 7,709.94	20 Years	20 Years	\$ 385.50
Amarillo	Brick (1916)	June 1938	3,200.00	200.00	3,000.00	8 Years	7½ Years	400.00
Alice	Brick	July 1938	21,000.00	.....	21,000.00	20 Years	20 Years	1,050.00
Harlingen	Brick and hollow tile	1937	12,000.00	600.00	11,400.00	20 Years	19 Years	600.00
McAllen	Brick (1921)	1938	8,000.00	333.33	7,666.67	12 Years	11½ Years	666.67
Santa Monica	Stucco and steel	1939	11,258.60	.....	11,258.60	20 Years	20 Years	562.93
								<u>\$3,665.10</u>

GEORGE S. GAYLORD AND GERTRUDE H. GAYLORD, TRUST

1939 CAPITAL GAINS AND LOSSES

Date of Sale	Description	Shares	Amount Received	Date Acquired	Cost or Basis	Profit or Loss	Short term gains	Taxable Income	
								Long Term	Gains
								18 to 24 Mos.	Over 24 Mos.
1-11-39	Dome Mines	200	\$ 6,418.69	9-30-37	\$ 4,395.00	\$ 2,023.69	\$2,023.69		\$
1-11-39	Noranada	100	8,033.35	4-22-38	5,775.00	2,258.35	2,258.35		
1-27-39	751,853 oz. gold.....		25,792.08	1-17-38	26,541.00	748.92	748.92		
2-19-39	Dome Mines	100	3,094.93	4-22-38	2,725.00	369.93	369.93		
2-19-39	Phillips Pet.	100	5,196.74	11-18-38	4,072.00	1,124.74	1,124.74		
2-20-39	McIntyre Poreupine	100	5,196.74	8- 5-38	4,747.00	449.74	449.74		
3-14-39	Marathon P.	100	3,671.50	11- 7-35	821.00	2,850.50			2,850.50
4- 8-39	Marathon P.	100	3,652.75	11- 7-35	821.00	2,831.75			2,831.75
4- 8-39	Marathon P.	100	3,697.75	11- 7-35	821.00	2,876.75			2,876.75
4-10-39	McIntyre P.	100	5,471.74	8- 5-38	4,747.00	724.74	724.74		
4-21-39	Marathon P.	100	3,377.75	11- 7-35	821.00	2,556.75			2,556.75
			<u>\$73,604.02</u>		<u>\$56,286.00</u>	<u>\$17,318.02</u>	<u>\$6,202.27</u>		<u>\$11,115.75</u>

(Testimony of George S Gaylord.)

Respondent's Exhibit L—(Continued)

GEORGE S. AND GERTRUDE H. GAYLORD TRUST

Income Tax—1939

This trust shows long term capital gains on sale of Marathon Paper Mills stock which was acquired by gift November 7, 1935, from George S. Gaylord and Gertrude H. Gaylord. The basis of this stock is the March 1, 1913 value to George S. Gaylord, arrived at as follows:

Menasha Printing and Carton Co.

Value March 1, 1913	\$350,000.00
July 1, 1917 invested	152,500.00
	<hr/>
	502,500.00
Less—Preferred stock sold July 1917.....	20,000.00
	<hr/>
	\$482,500.00
	<hr/>

Received for 3,357 shares Menasha Printing and Carton Co. stock, securities of Marathon Paper Mills Co., as follows:

\$1,038,000.00 par 5½% Bonds	\$ 1,038,000.00
6,728 shares Common stock @ \$130.30.....	876,658.40
	<hr/>
	\$ 1,914,658.40
	<hr/>

\$ 1,038,000.00 equals 54.21% of total received.

876,658.40 equals 45.79% of total received.

45.79% of \$482,500.00 equals \$220,936.75 or original cost of 6,728 shares of common stock, or \$32.84 per share.

Stock was divided four for one, making original cost of present common shares \$8.21 per share.

Conferences are now pending with the Bureau of Internal Revenue to determine the correctness of the above value.

(Testimony of George S. Gaylord.)

Respondent's Exhibit L—(Continued)

POWER OF ATTORNEY

Know All Men By These Presents: That we, George S. Gaylord and Gertrude H. Gaylord, Trustees, of the George S. and Gertrude H. Gaylord, Trust, do by these presents make, constitute and appoint James W. Bontems, Certified Public Accountant, of Los Angeles, California, our true and lawful attorney to appear for us and represent us before the Treasury Department of the United States, or any bureau thereof, or any official or officials of said Department, in all matters pertaining to the determination, assessment, collection, or payment of any taxes which may be due by us to the United States, or pertaining to claims for abatement, refund or credit based on the assessment or payment of any amounts as such taxes.

It is requested that a copy of all communications, addressed to the undersigned, regarding any matter in which the said attorney is hereby authorized to act be addressed to James W. Bontems, Certified Public Accountant, 215 West Sixth Street, Los Angeles, California.

All powers of attorney for this purpose heretofore filed or executed by us are hereby revoked.

(Testimony of George S. Gaylord.)

Respondent's Exhibit L—(Continued)

In Witness Whereof, we have hereunto set our hands and seals this 17th day of October, 1939.

GEORGE S. and GERTRUDE
H. GAYLORD, TRUST

(Seal) Signed by: GEORGE S. GAYLORD

(Seal) Signed by: GERTRUDE H. GAYLORD

Trustees

Witnesses:

Signed: J. E. BERNSDORF

Signed: HENRIETTA MILLER

(Original)

INSTRUMENT OF APPOINTMENT BY
GEORGE S. GAYLORD OF SUCCESSOR
TRUSTEES

Know All Men By These Presents:

Whereas in and by that certain declaration of trust dated the 7th day of November, 1935, the undersigned George S. Gaylord and Gertrude H. Gaylord, his wife (who, though more than one, are also in said declaration of trust called "trustee") do hereby certify and declare that they hold and shall and will hold the following described personal property, to-wit, seven thousand (7000) shares of the common capital stock of Marathon Paper Mills Company, a Wisconsin corporation, of the par value of \$25.00 per share, and any and all proceeds thereof, In Trust, Nevertheless, for the uses and purposes and upon the terms and conditions set

(Testimony of George S Gaylord.)

Respondent's Exhibit L—(Continued)

forth in said declaration of trust, reference being hereby made to said declaration of trust for further particulars thereof, and which said trust has at all times been and is irrevocable, and which said declaration of trust was executed in quadruplicate by said George S. Gaylord and Gertrude H. Gaylord, the trustors and trustees therein named, who under date of December 11, 1935, acknowledged before J. C. Humphreys, a notary public in and for the County of Los Angeles, State of California, their, the said George S. Gaylord and Gertrude H. Gaylord's, execution of said declaration of trust, and which said declaration of trust was recorded on September 23, 1937, in the office of the County Recorder of Los Angeles County, California, in Book 15288 at Page 94 of Official Records of said County; and

Whereas, in and by article XI of said declaration of trust it is provided, among other things, that said George S. Gaylord shall have the right by an instrument in writing signed by him and acknowledged by him before a notary public, or other officer authorized to take acknowledgments, which acknowledgment shall be certified so as to entitle the same to be recorded, and recorded in the office of said County Recorder of the County of Los Angeles, State of California, to appoint the successor or successors as the trustee (whether one or more) of the trust created and provided for in said declaration of trust in the event that neither

(Testimony of George S Gaylord.)

Respondent's Exhibit L—(Continued)

of the two original trustees of said trust, viz., said George S. Gaylord and Gertrude H. Gaylord, is acting as the trustee of said trust; and

Whereas, George S. Gaylord desires to appoint, pursuant to the provisions of said declaration of trust such successor or successors as the trustee (whether one or more) of said trust in the event that neither of said two original trustees of said trust, viz., said George S. Gaylord and Gertrude H. Gaylord, is acting as the trustee of said trust;

Now, Therefore, said George S. Gaylord does hereby appoint his daughter Margaret Gaylord Ruppel and his son-in-law Eugene L. Bruce, who is the husband of said George S. Gaylord's daughter Gertrude Gaylord Bruce, and the survivor of said Margaret Gaylord Ruppel and Eugene L. Bruce, trustees or trustee (as the case may be) of said trust in the event that neither of said two original trustees George S. Gaylord and Gertrude H. Gaylord is acting as the trustee of said trust, and does hereby appoint said Margaret Gaylord Ruppel and Eugene L. Bruce and the survivor of them the successors or successor (as the case may be) as the trustee (whether one or more) of said trust in such event that neither of said two original trustees of said trust, said George S. Gaylord and Gertrude H. Gaylord, is acting as the trustee of said trust. Said appointees Margaret Ruppel and Eugene L. Bruce and the survivor of

(Testimony of George S Gaylord.)

Respondent's Exhibit L—(Continued)

them in such event of neither said George S. Gaylord and Gertrude H. Gaylord acting as the trustee of said trust to be vested with the trust estate mentioned and referred to in said declaration of trust as the same then exists, together with all title of the trustee referred to in said declaration of trust to said trust estate and together with all rights, powers, authorizations, exemptions and discretions in and by said declaration of trust vested in said George S. Gaylord and Gertrude H. Gaylord as trustee thereunder, and subject to all of the duties and obligations imposed in said declaration of trust upon the trustee therein referred to, all without any or further conveyance, assignment, transfer or act by or on the part of said George S. Gaylord and Gertrude H. Gaylord or either of them. In no event shall any bond or bonds or other security whatever ever be required of either of the hereinbefore named appointees for the performance of any duty or trust under said trust or said declaration thereof or to qualify as a trustee or trustees of said trust. Each such appointee in this instrument hereinbefore named shall have the right at any time to resign as trustee of said trust.

In Witness Whereof, said George S. Gaylord has hereunto set his hand and seal this 1st day of December, 1941.

Executed in Quadruplicate.

(Seal)

GEORGE S. GAYLORD

(George S. Gaylord)

(Testimony of George S Gaylord.)

Respondent's Exhibit L—(Continued)

State of California

County of Los Angeles—ss.

On this 13th day of December, A. D. 1941, before me, J. F. Kinman, a notary public in and for said County and State, personally appeared George S. Gaylord, known to me to be the person whose name is subscribed to the within and foregoing instrument, and acknowledged to me that he executed the same.

In Witness Whereof, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

(Seal) J. F. KINMAN

Notary Public in and for said County and State.

State of California

County of Los Angeles—ss.

Before me, the undersigned authority, a notary public in and for the County of Los Angeles, State of California, on this day personally appeared George S. Gaylord, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purpose and consideration therein expressed.

Given under my hand and official seal this 13th day of December, 1941.

(Seal) J. F. KINMAN

Notary Public in and for the County of Los Angeles, State of California.

My Commission Expires August 14, 1942.

(Testimony of George S. Gaylord.)

Respondent's Exhibit L—(Continued)

#1110. Copy of original recorded at request of Attorney, Dec. 13, 1941, 11:57 a.m. Copyist #39 Compared, Mame B. Beatty, County Recorder. By A. Rand (211) Deputy. \$1.90-14-L.

State of California

County of Los Angeles—ss.

I hereby certify the foregoing to be a full, true and correct copy of the instrument appearing recorded in Book No. 19038 of Official Records, Page 20, Records of Los Angeles County, and that I have carefully compared the same with the original record.

In Witness Whereof, I have hereunto set my hand and affixed my Official Seal, this 10th day of March, 1943.

(Seal)

MAME B. BEATTY

County Recorder

By W. D. CLEAVER,

Deputy

(Original)

RESIGNATION OF GEORGE S. GAYLORD
AND GERTRUDE H. GAYLORD AS
TRUSTEES

Know All Men By These Presents:

Whereas in and by that certain declaration of trust dated the 7th day of November, 1935, the undersigned George S. Gaylord and Gertrude H.

(Testimony of George S. Gaylord.)

Respondent's Exhibit I—(Continued)

Gaylord, his wife (who, though more than one, are also in said declaration of trust called "trustee") do thereby certify and declare that they hold and shall and will hold the following described personal property, to-wit, seven thousand (7000) shares of the common capital stock of Marathon Paper Mills Company, a Wisconsin corporation, of the par value of \$25.00 per share, and any and all proceeds thereof. In Trust, Nevertheless, for the uses and purposes and upon the terms and conditions set forth in said declaration of trust, reference being hereby made to said declaration of trust for further particulars thereof, and which said trust has at all times been and is irrevocable, and which said declaration of trust was executed in quadruplicate by said George G. Gaylord and Gertrude H. Gaylord, the trustors and trustees therein named, who under date of December 11, 1935, acknowledged before J. C. Humphreys, a notary public in and for the County of Los Angeles, State of California, their, the said George S. Gaylord and Gertrude H. Gaylord's, execution of said declaration of trust, and which said declaration of trust was recorded on September 23, 1937, in the office of the County Recorder of Los Angeles County, California, in Book 15288 at Page 94 of Official Records of said County; and

Whereas, in and by Article XI of said declaration of trust it is provided, among other things, that said George S. Gaylord and Gertrude H. Gay-

(Testimony of George S. Gaylord.)

Respondent's Exhibit L—(Continued)

lord, his wife, or either of them, shall have the right at any time to resign as trustee of said trust by signing an instrument in writing declaring that they, he or she (as the case may be) so resigns as the trustee of said trust and acknowledging the execution of such instrument before a notary public or other officer authorized to take acknowledgments, which acknowledgment shall be certified so as to entitle the same to be recorded, and by recording such instrument in the office of the County Recorder of the County of Los Angeles, State of California, and that said instrument in writing of such resignation shall be effective upon and as of the time of such recordation; and

Whereas, said George S. Gaylord and Gertrude H. Gaylord desire and intend in and by this instrument to so resign as the trustee of said trust and as trustees of said trust:

Now, Therefore, said George S. Gaylord and Gertrude H. Gaylord do and each of them does hereby resign as the trustee of said trust and as trustees of said trust and do hereby declare that they and each of them so resign as the trustee of said trust and that it is the desire and intention of them and each of them that such resignation be effective immediately.

In Witness Whereof, said undersigned have hereunto set their hands and seals this 2nd day of December, 1941.

(Testimony of George S. Gaylord.)

Respondent's Exhibit L—(Continued)

Executed in Quadruplicate.

(Seal) GEORGE S. GAYLORD

(Seal) GERTRUDE H. GAYLORD

State of California

County of Los Angeles—ss.

I hereby certify the foregoing to be a full, true and correct copy of the instrument appearing recorded in Book No. 19039 of Official Records, Page 28, Records of Los Angeles County, and that I have carefully compared the same with the original record.

In Witness Whereof, I have hereunto set my hand and affixed my Official Seal this 10th day of March, 1943.

MAME B. BEATTY,

County Recorder

By W. D. CLEAVER,

Deputy

State of California,

County of Los Angeles—ss.

On this 13th day of December, 1941, before me, J. F. Kinman, a notary public in and for said County of Los Angeles, State of California, residing therein, duly commissioned and sworn, personally appeared George S. Gaylord and Gertrude H. Gaylord, his wife, personally known to me to be the persons whose names are subscribed to the within and foregoing instrument, and acknowledged to me that they executed the same.

(Testimony of George S. Gaylord.)

Respondent's Exhibit L—(Continued)

In Witness Whereof, I have hereunto set my hand and affixed my official seal in said county the day and year in this certificate first above written.

(Seal)

J. F. KINMAN

Notary Public in and for the County of Los Angeles, State of California.

State of California

County of Los Angeles—ss.

Before Me, the undersigned authority, a notary public in and for Los Angeles County, California, on this day, personally appeared George S. Gaylord and Gertrude H. Gaylord, his wife, both known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they each executed the same for the purposes and consideration therein expressed, and the said Gertrude H. Gaylord, wife of the said George S. Gaylord, having been examined by me privily and apart from her husband and having the same fully explained to her, she, the said Gertrude H. Gaylord, acknowledged such instrument to be her act and deed, and she declared that she had willingly signed the same for the purposes and consideration therein expressed, and that she did not wish to retract it.

(Testimony of George S. Gaylord.)

Respondent's Exhibit L—(Continued)

Given Under My Hand and Seal of Office, this
13th day of December, 1941.

(Seal) J. F. KINMAN

Notary Public in and for Los Angeles County, Cali-
fornia.

My Commission Expires August 14, 1942.

#1256—Copy of original recorded at request of
Dockweiler & Dockweiler, Dec. 17, 1941, 2:33 p.m.
Copyist #83 Compared, Mame B. Beatty, County
Recorder. By A. C. Dutton (218) Deputy. \$1.40-
9-Mc.

(Original)

ACCEPTANCE BY MARGARET GAYLORD
RUPPEL AND EUGENE L. BRUCE OF
APPOINTMENT AS SUCCESSOR TRUS-
TEES

Know All Men By These Presents:

Whereas in and by that certain declaration of
trust dated the 7th day of November, 1935, George
S. Gaylord and Gertrude H. Gaylord, his wife
(who, though more than one, are also in said dec-
laration of trust called "trustee") do thereby
certify and declare that they hold and shall and
will hold the following described personal property,
to-wit, seven thousand (7000) shares of the com-
mon capital stock of Marathon Paper Mills Com-
pany, a Wisconsin corporation, of the par value
of \$25.00 per share, and any and all proceeds there-
of, In Trust, Nevertheless, for the uses and pur-

(Testimony of George S. Gaylord.)

Respondent's Exhibit L—(Continued)

poses and upon the terms and conditions set forth in said declaration of trust, reference being hereby made to said declaration of trust for further particulars thereof, and which said trust has at all times been and is irrevocable, and which said declaration of trust was executed in quadruplicate by said George S. Gaylord and Gertrude H. Gaylord, the trustors and trustees therein named, who under date of December 11, 1935, acknowledged before J. C. Humphreys, a notary public in and for the County of Los Angeles, State of California, their, the said George S. Gaylord and Gertrude H. Gaylord's, execution of said declaration of trust, and which said declaration of trust was recorded on September 23, 1937, in the office of the County Recorder of Los Angeles County, California, in Book 15288 at Page 94 of Official Records of said County; and

Whereas, in and by article XI of said declaration of trust it is provided, among other things, that said George S. Gaylord and Gertrude H. Gaylord, his wife, or either of them, shall have the right at any time to resign as trustee of said trust by signing an instrument in writing declaring that they or he or she (as the case may be) so resigns as the trustee of said trust and acknowledging the execution of such instrument before a notary public or other officer authorized to take acknowledgments, which acknowledgment shall be certified so

(Testimony of George S. Gaylord.)

Respondent's Exhibit L—(Continued)

as to entitle the same to be recorded, and by recording such instrument in the office of the County Recorder of the County of Los Angeles, State of California, and that said instrument in writing of such resignation shall be effective upon and as of the time of such recordation, and that said George S. Gaylord shall have the right by an instrument in writing signed by him and acknowledged by him before a notary public or other officer authorized to take acknowledgments, which acknowledgment shall be certified so as to entitle the same to be recorded, and recorded in the office of said County Recorder of the County of Los Angeles, State of California, to appoint the successor or successors as the trustee (whether one or more) of the trust created and provided for in said declaration of trust in the event that neither of the two original trustees of said trust, viz., said George S. Gaylord and Gertrude H. Gaylord, is acting as the trustee of said trust; and

Whereas, said George S. Gaylord did by an instrument in writing dated the 1st day of December, 1941, signed by him and acknowledged by him on the 13th day of December, 1941, before J. F. Kinman, a notary public in and for said County and State, and certified by said notary so as to entitle the same to be recorded, appoint his (the said George S. Gaylord's) daughter Margaret Gaylord Ruppel and his son-in-law Eugene L. Bruce, who is the husband of said George S. Gaylord's daughter

(Testimony of George S. Gaylord.)

Respondent's Exhibit L—(Continued)

Gertrude Gaylord Bruce, and the survivor of said Margaret Gaylord Ruppel and said Eugene L. Bruce, trustees or trustee (as the case may be) of said trust in the event that neither of said original trustees George S. Gaylord and Gertrude H. Gaylord is acting as the trustee of said trust, which said instrument is entitled Instrument of Appointment by George S. Gaylord of Successor Trustees and was recorded in the office of said County Recorder on the 13th day of December, 1941, and to which said instrument reference is hereby made for further particulars thereof; and

Whereas, by an instrument in writing entitled Resignation of George S. Gaylord and Gertrude H. Gaylord as Trustees, dated the 2nd day of December, 1941, and signed by said George S. Gaylord and Gertrude H. Gaylord, his wife, said George S. Gaylord and Gertrude H. Gaylord and each of them did thereby resign as the trustee of said trust and did thereby declare that they and each of them so resigned as the trustee of said trust and that it was the desire and intention of them and each of them that such resignation be effective immediately, which said instrument of resignation was acknowledged by said George S. Gaylord and Gertrude H. Gaylord on the 13th day of December, 1941, before J. F. Kinman, a notary public in and for said County and State, and which said acknowledgment was certified so as to entitle said instrument to be recorded, and which said instrument was

(Testimony of George S. Gaylord.)

Respondent's Exhibit L—(Continued)

on the 17th day of December, 1941, recorded in said office of said County Recorder and to which said instrument reference is hereby made for further particulars thereof;

Now, Therefore, the undersigned and hereinbefore named Margaret Gaylord Ruppel and Eugene L. Bruce have and each of them has accepted and do and each of them does hereby accept and declare her and his (as the case may be) acceptance of said appointment as trustee of said trust and said undersigned do and each of them does agree and consent to act and serve as trustees or trustee of said trust.

In Witness Whereof, said undersigned have hereunto set their hands and seals this 13th day of December, 1941.

Executed in Quadruplicate.

(Seal) MARGARET GAYLORD
 RUPPEL

(Seal) EUGENE L. BRUCE

State of California

County of Los Angeles—ss.

On this 30th day of December, A. D. 1941, before me, J. F. Kinman, a notary public in and for said County and State, personally appeared Margaret Gaylord Ruppel, known to me to be the person whose name is subscribed to the within and foregoing instrument, and acknowledged to me that she executed the same.

(Testimony of George S. Gaylord.)

Respondent's Exhibit L—(Continued)

In Witness Whereof, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

(Seal) J. F. KINMAN,

Notary Public in and for said County and State.

State of California,

County of Los Angeles—ss.

On this 30th day of December, A.D. 1941, before me, J. F. Kinman, a notary public in and for said County and State, personally appeared Eugene L. Bruce, known to me to be the person whose name is subscribed to the within and foregoing instrument, and acknowledged to me that he executed the same.

In Witness Whereof, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

(Seal) J. F. KINMAN

Notary Public in and for said County and State.

#1458 Copy of original recorded at request of Attorney, Dec. 31, 1941, 12:34 p.m. Copyist #101 Compared, Mame B. Beatty, County Recorder. By J. Kurrasch (234) Deputy. \$2.00-14-P.

(Testimony of George S. Gaylord.)

Respondent's Exhibit L—(Continued)

State of California,

County of Los Angeles—ss.

I hereby certify the foregoing to be a full, true and correct copy of the instrument appearing recorded in Book No. 19068 of Official Records, Page 40, Records of Los Angeles County, and that I have carefully compared the same with the original record.

In Witness Whereof, I have hereunto set my hand and affixed my Official Seal, this 10th day of March, 1943.

MAME B. BEATTY,

County Recorder

By W. D. CLEAVER,

Deputy

Form 1000
TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE

UNITED STATES
INFORMATION RETURN FOR
CALENDAR YEAR 1939

INSTRUCTIONS TO PAYORS

Prepare one of these forms for each payee in accordance with the instructions on return Form 1000.

Do not include payments to nonresident aliens reported on Form 1042.

Forward with return Form 1000 so as to reach the Commissioner of Internal Revenue, Returns Distribution Section, Washington, D. C., on or before February 15, 1940.

To: George S. & Gertrude H. Gaylord, Trustees
Whom: 639 Rosemont
Paid: Pasadena, Calif.
(Full name and home address)

KIND AND AMOUNT OF INCOME PAID

Salaries, Wages, Fees, Commissions, Bonuses (If single \$1,000 or more, if married \$2,000 or more)	Interest on Notes, Mortgages, Etc.	Rents and Royalties	Other Fixed or Determinable Income	Passive Income (\$1,000 or more)	Dividends (\$100 or more)
(\$1,000 or more aggregate amount of above listed)					
\$	\$	\$ 1,015.85	\$	\$	\$
<input type="checkbox"/> SINGLE					
<input type="checkbox"/> MARRIED					

By

Whom

Paid

(Name and address)

Form 1000
TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE

UNITED STATES
INFORMATION RETURN FOR
CALENDAR YEAR 1939

INSTRUCTIONS TO PAYORS

Prepare one of these forms for each payee in accordance with the instructions on return Form 1000.

Do not include payments to nonresident aliens reported on Form 1042.

Forward with return Form 1000 so as to reach the Commissioner of Internal Revenue, Returns Distribution Section, Washington, D. C., on or before February 15, 1940.

To: George S. Gaylord and Gertrude H. Gaylord,
Whom: 639 Rosemont Avenue,
Paid: Pasadena, California
(Full name and home address)

KIND AND AMOUNT OF INCOME PAID

Salaries, Wages, Fees, Commissions, Bonuses (If single \$1,000 or more, if married \$2,000 or more)	Interest on Notes, Mortgages, Etc.	Rents and Royalties	Other Fixed or Determinable Income	Passive Income (\$1,000 or more)	Dividends (\$100 or more)
(\$1,000 or more aggregate amount of above listed)					
\$	\$	\$ 1875.00	\$	\$	\$
<input type="checkbox"/> SINGLE					
<input type="checkbox"/> MARRIED					

By

Whom

Paid

(Name and address)

C. R. ANTHONY CO.
Oklahoma City, Okla.

(Endorsed) T.C.U.S.A. Filed Apr. 2, 1944.

(Testimony of George S. Gaylord.)

Mr. Coon: Now, there is some information, as I have explained to your Honor and opposing counsel, in the returns of the two daughters. This is the return for Margaret G. Ruppel for 1936.

The Judge: That will be Exhibit M.

(The said 1936 return of Margaret G. Ruppel, so offered and received in evidence was marked Respondent's Exhibit M, and made a part of this record.)

FIELD

INDIVIDUAL INCOME TAX RETURN

For Calendar Year 1936

1936

NAME OF TAXPAYER **MARGARET G. RUPPEL**

RESIDENCE **3139 39th Street, Brooklyn, N.Y.**

DATE OF FILING **APR 2 1937**

FILED **1937**

STATE OF **NEW YORK**

CITY OF **BROOKLYN**

COUNTY OF **KINGS**

ZIP CODE **11218**

DATE OF BIRTH **1908**

DATE OF DEATH **1937**

DATE OF FILING **APR 2 1937**

FILED **1937**

STATE OF **NEW YORK**

CITY OF **BROOKLYN**

COUNTY OF **KINGS**

ZIP CODE **11218**

DATE OF BIRTH **1908**

DATE OF DEATH **1937**

DATE OF FILING **APR 2 1937**

FILED **1937**

STATE OF **NEW YORK**

CITY OF **BROOKLYN**

COUNTY OF **KINGS**

ZIP CODE **11218**

DATE OF BIRTH **1908**

DATE OF DEATH **1937**

DATE OF FILING **APR 2 1937**

FILED **1937**

STATE OF **NEW YORK**

CITY OF **BROOKLYN**

COUNTY OF **KINGS**

ZIP CODE **11218**

DATE OF BIRTH **1908**

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(Testimony of George S. Gaylord.)

Mr. Coon: Margaret G. Ruppel's return for 1937. [351]

The Judge: Exhibit N.

(The said 1937 return of Margaret G. Ruppel, so offered and received in evidence was marked Respondent's Exhibit N, and made a part of this record.)

UNITED STATES

1937 INDIVIDUAL INCOME TAX RETURN 1937

Page 1

Do not write in this space

(Auditor's Stamp)

Treasury Department (FORM 1040) Internal Revenue Service

FOR NET INCOMES FROM SALARIES, WAGES, INTEREST, AND
DIVIDENDS OF MORE THAN \$5,000, AND INCOMES FROM
OTHER SOURCES REGARDLESS OF AMOUNTSFor Calendar Year 1937 or Fiscal Year
beginning , 1937, and ended , 1938

File this return not later than the 15th day of the third month following the close of the taxable year

PRINT NAME AND ADDRESS PLAINLY (See Instruction E)

MARGARET C. KUPPEL

(Name) (Do not include street or rural route)

631 A. S. S. (Street and number, or rural route)

(Post office)

(County)

(State)

Do not write in this space

File
Date
Serial
NumberCharacter
(Cashier's Stamp)

Cash Check M.O.

First Payment

Reference

INCOME

1. Salaries and other compensation for personal services (from Schedule A)
2. Dividends from domestic and foreign corporations
3. Interest on bank deposits, notes, mortgages, etc.
4. Interest on corporation bonds
5. Taxable interest on Government obligations, etc. (from Schedule B)
6. Income (or loss) from partnerships, syndicates, pools, etc. (furnish name and address)

\$ 1666.00

7. Income from fiduciaries (furnish name and address):

1. Trust of Margaret C. Kuppel - 16-41-89

8. Rents and royalties (from Schedule C)
9. Income (or loss) from business or profession (from Schedule D)
10. Gain (or loss) from sale or exchange of property (from Schedule F)
11. Other income (state nature, use separate schedule if necessary)

12. Total income in items 1 to 11 (enter nontaxable income in Schedule D)

\$ 1666.00

DEDUCTIONS

13. Contributions (explain in Schedule G)
14. Interest (explain in Schedule G)
15. Taxes (explain in Schedule G)
16. Losses by fire, storm, etc. (explain in Schedule G)
17. Bad debts (explain in Schedule G)
18. Other deductions authorized by law (explain in Schedule G)

19. Total deductions in items 13 to 18

20. Net income (item 12 minus item 19)

Calif. Income Tax

341.15

THE TAX COURT OF THE U. S.
DIV. 8 DOCKETED 10/12/43
ADMITTED TO EVIDENCE 109 273

APR 2 - 1943

PETITIONERS
EXHIBIT N

341.15

\$ 1637.85

COMPUTATION OF TAX

21. Net income (item 20 above)

\$ 1637.85

22. Less: Personal exemption (from Schedule I)

\$ 1.50

23. Credit for dependents (from Schedule I)

25.00

24. Balance (surplus net income)

\$ 1487.35

25. Less: Interest on Government obligations (item 5)

\$ 3.00

26. Earned income credit (from Schedule J)

3.00

27. Balance subject to normal tax

\$ 1277.35

28. Normal tax (4% of item 27)

\$ 550.83

29. Surplus on item 24 (see Instruction 29)

665.97

30. Total tax (item 28 plus item 29)

\$ 1216.80

31. Less: Income tax paid at source

32. Income tax paid to a foreign country or U. S. possession

33. Balance of tax (from 30 minus items 31 and 32)

115.75

NOTE—One form marked "DUPLICATE COPY" must be filed with this original return (if not so marked if duplicate copy is not filed)

77-1

(Testimony of George S. Gaylord.)

Respondent's Exhibit N—(Continued)

Schedule A.—INCOME FROM SALARIES AND OTHER
COMPENSATION FOR PERSONAL SERVICES.

(See Instruction 1)

1. Name and Address of Employer or Nature of Income	2. Amount
1/2 husband—F. H. Ruppel	\$ 1,666.58
Latisteel Corp., 3110 E. Foothill Blvd., Pasadena, Calif.	

Schedule B.—INTEREST ON GOVERNMENT OBLIGA-
TIONS, ETC. (See Instruction 5)

[Followed by printed form not filled in]

Schedule C.—INCOME FROM RENTS AND ROYALTIES.

(See Instruction 8)

[Followed by printed form not filled in]

Schedule D.—PROFIT (OR LOSS) FROM BUSINESS OR
PROFESSION. (See Instruction 9)

[Followed by printed form not filled in]

Schedule E.—EXPLANATION OF DEDUCTION FOR DE-
PRECIATION CLAIMED IN SCHEDULES C. AND D

[Followed by printed form not filled in]

Schedule F.—GAINS AND LOSSES FROM SALES OR EX-
CHANGES OF PROPERTY. (See Instruction 10)

[Followed by printed form not filled in]

Schedule G.—EXPLANATION OF DEDUCTIONS
CLAIMED IN ITEMS 13, 14, 15, 16, 17 and 18

[Followed by printed form not filled in]

Schedule H.—NONTAXABLE INCOME OTHER THAN IN-
TEREST REPORTED IN SCHEDULE B. (See In-

struction 12)

[Followed by printed form not filled in]

Schedule I.—EXPLANATION OF CREDITS CLAIMED IN
ITEMS 22 AND 23. (See Instructions 22 and 23)

(a) Personal Exemption

Status	Number of Months During Year in Each Status	Credit Claimed
Married and living with hus- band or wife	12 mos.	\$2500

(Testimony of George S. Gaylord.)

Respondent's Exhibit N—(Continued)

Schedule J—COMPUTATION OF EARNED INCOME
CREDIT. (See Instruction 26)

[Followed by printed form not filled in]

QUESTIONS

1. State your principal occupation or profession: Housewife.
2. Check whether you are a citizen [☒] or resident alien [☐].
3. If you filed a return for the preceding year, to which Collector's office was it sent? Los Angeles.
4. Are items of income or deductions of both husband and wife included in this return? (See Instruction B): See Sch. A.
5. State name of husband or wife if a separate return was made, and the Collector's office to which it was sent? Frederick H. Ruppel, Los Angeles.
6. Check whether this return was prepared on the cash [☒] or accrual [☐] basis.
7. Did you at any time during your taxable year own directly or indirectly any stock of a domestic or foreign personal holding company? (Answer "yes" or "no"): No. If answer is "yes", attach schedule required by Instruction M.

AFFIDAVIT. (See Instruction F)

I/we swear (or affirm) that this return (including any accompanying schedules and statements) has been examined by me/us, and to the best of my knowledge and belief is a true, correct, and complete return, made in good faith, for the taxable year stated, pursuant to the Revenue Acts of 1936 and 1937 and the regulations issued thereunder.

MARGARET G. RUPPEL

(Signature) (See Instruction F)

Subscribed and sworn to by Margaret G. Ruppel before me this 3rd day of March, 1938.

ALICE F. JACKSON

(Signature and title of officer administering oath)

My Commission Expires Sept. 19, 1939.

[Endorsed]: T.C.U.S. Filed Apr. 2, 1943.

(Testimony of George S. Gaylord.)

Mr. Coon: Margaret G. Ruppel's return for 1938.

The Judge: Exhibit O.

(The said 1938 return of Margaret G. Ruppel, so offered and received in evidence was marked Respondent's Exhibit O, and made a part of this record.)

Treasury Department

FORM 1040

Internal Revenue Service

Page 1

UNITED STATES

1938 INDIVIDUAL INCOME TAX RETURN 1938

(Auditor's Stamp)
SUMMARY REVIEW
Nov 11 1939
J. H. [illegible]

FOR NET INCOMES OF MORE THAN \$5,000 FROM SALARIES, WAGES, DIVIDENDS, INTEREST, ANNUITIES, AND FOR INCOMES FROM OTHER SOURCES REGARDLESS OF AMOUNTS

For Calendar Year 1938

or fiscal year beginning 1938, and ended 1939

(Before Preparing This Return, Read the Instructions Carefully)

To be filed with the Collector of Internal Revenue for your district not later than the 15th day of the third month following the close of your taxable year

PRINT NAME AND ADDRESS PLAINLY (Show last name and address)

MARGARET C. RILEY

(Please) (Use given name, middle initial and surname, if a joint return)

2225 Robles Avenue

San Marino

(City and county, or rural route)

Los Angeles California

(Post office)

(County)

(State)

(Do not use these spaces)

File Code **2497**

Serial No. **05572**

Check (or Stamp)

FEB 24 1939

Cash - Check - M.O.

Post Payment **42**

462

INCOME

1. Salaries and other compensation for personal services. (From Schedule A)	\$ 2,500 02
2. Dividends	
3. Interest on bank deposits, notes, mortgages, etc.	
4. Interest on corporation bonds	
5. Taxable interest on Government obligations, etc. (From Schedule B)	
6. Income (or loss) from partnerships, syndicates, pools, etc. (other than capital gains or losses). (Attach names and addresses)	
7. Income from fiduciaries. (Attach names and addresses)	
George S. and Gertrude H. Gaylord Trust, Pasadena	1,707 18
8. Rents and royalties. (From Schedule C)	
9. Income (or loss) from business or profession. (From Schedule D)	
10. (a) Net short-term gain from sale or exchange of capital assets. (From Schedule F)	
(b) Net long-term gain (or loss) from sale or exchange of capital assets. (From Schedule F)	6,152 75
(c) Net gain (or loss) from sale or exchange of property other than capital assets. (From Schedule G)	
11. Other income (including income from annuities). (Check sources; use separate schedule if necessary)	
12. Total income in items 1 to 11. (Enter separate income in Schedule F)	\$ 10,449 95

DEDUCTIONS

13. Contributions paid. (Explain in Schedule H) Community Chest	\$ 20 00
14. Interest. (Explain in Schedule H)	
15. Taxes. (Explain in Schedule H)	
16. Losses from fire, storm, shipwreck, or other casualty, or theft. (Explain in Schedule H)	
17. Bad debts. (Explain in Schedule H)	
18. Other deductions authorized by law. (Explain in Schedule H)	
19. Total deductions in items 13 to 18	434 22
20. Net income (item 12 minus item 19)	\$ 10,015 73

THE TAX COURT OF THE U. S.
BY **DOCKETS 14912**

APR 2-1943

RETURNED

EXHIBIT **0**

RESPONDENT'S

COMPUTATION OF TAX

21. Net income (item 20 above)	\$ 10,015 73	28. Normal tax (4% of item 27)	\$ 272 63
22. Less: Personal exemption. (From Schedule J-1)	\$ 2500 00	29. Surtax on item 24. (See instructions 29)	138 79
23. Credit for dependents. (From Schedule J-2)	400 00	30. Total (item 28 plus item 29)	\$ 408 42
24. Balance (surtax net income)	\$ 7,115 73	31. Total tax (item 30, or if you had a net long-term capital gain or loss, enter line 16, Schedule F)	
25. Less: Interest on Government obligations, etc. (See instructions 25)	\$ 300 00	32. Less: Income tax paid at source	
26. Earned income credit. (From Schedule K-1 or K-2)	300 00	33. Income tax paid to a foreign country or U.S. possession (Attach Form 113)	408 42
27. Balance subject to normal tax	\$ 6,815 73	34. Balance of tax (item 31 minus items 32 and 33)	\$ 408 42

NOTE.—One form marked "DUPLICATE COPY" must be filed with this original return (25 will be returned if duplicate copy is not filed)

0-1

(Testimony of George S. Gaylord.)

Respondent's Exhibit O—(Continued)

Schedule A.—INCOME RECEIVED FROM OTHERS CONSISTING OF SALARIES, WAGES, FEES, AND OTHER COMPENSATION FOR PERSONAL SERVICES. (See Instruction 1)

1. Name and address of employer and nature of income	2. Amount
1/2 husband's salary	\$2,500.02

Schedule B. INTEREST ON GOVERNMENT OBLIGATIONS, ETC. (See Instruction 5)

[Followed by printed form not filled in]

Schedule C.—INCOME FROM RENTS AND ROYALTIES.
(See Instruction 8)

[Followed by printed form not filled in]

Schedule D.—PROFIT (OR LOSS) FROM BUSINESS OR PROFESSION. (See Instruction 9)

[Followed by printed form not filled in]

Schedule E.—EXPLANATION OF DEDUCTION FOR DEPRECIATION CLAIMED IN SCHEDULES C, D, F, AND G

[Followed by printed form not filled in]

Schedule F.—GAINS AND LOSSES FROM SALES OR EXCHANGES OF CAPITAL ASSETS. (See Instruction 10)

Summary of Capital Net Gains or Losses

1. Classification	3. Net gain or loss to be taken into account from partnerships and "common trust funds" Gain	4. Total net gain or loss to be taken into account in cols. 2 and 3 of this summary Gain
2. Total net long-term capital gain or loss (enter as item 10(b), page 1, amount of gain or loss shown in col. 4)	\$6,152.75	\$6,152.75

COMPUTATION OF ALTERNATIVE TAX

(To be used only in the case of a net long-term capital gain or loss)

1. Net income (item 20, page 1).....	\$10,015.73
2. (a) Net long-term capital gain (item 10 (b), page 1)	6,152.75

(Testimony of George S. Gaylord.)

Respondent's Exhibit O—(Continued)

Computation of Alternative Tax—(Continued)

3.	Ordinary net income (line 1 minus line 2 (a) or line 1 plus line 2 (b))	\$ 3,862.98
4.	Less: Personal exemption (From Schedule J-1)	\$2,500.00
5.	Credit for dependents. (From Schedule J-2)	400.00 2,900.00
6.	Balance (surtax net income).....	\$ 962.98
7.	Less: Interest on Government obligations, etc. (See Instruction 25) \$	
8.	Earned income credit. (From Schedule K-1 or K-2)	300.00 300.00
9.	Balance subject to normal tax	\$ 662.98
10.	Normal tax (4% of line 9).....	\$ 26.52
11.	Surtax on line 6 (See Instruction 29).....	
12.	Partial tax (line 10 plus line 11).....	\$ 26.52
13.	(a) 30% of net long-term capital gain (30% of line 2(a))	1,845.83
14.	Alternative tax (line 12, plus line 13(a) or line 12 minus line 13(b))	\$ 1,872.35
15.	Total normal tax and surtax (item 30, page 1)....	\$ 408.42
16.	Tax liability (if a net long-term capital gain, on line 2(a), enter line 14 or line 15, whichever is the lesser; if a net long-term capital loss, on line 2(b) enter line 14 or line 15, whichever is the greater). (Enter as item 31, page 1)	\$ 408.42

Schedule G.—GAINS AND LOSSES FROM SALES OR EXCHANGES OF PROPERTY OTHER THAN CAPITAL ASSETS. (See Instruction 10)

[Followed by printed form not filled in]

Schedule H — EXPLANATION OF DEDUCTIONS CLAIMED IN ITEMS 11, 14, 15, 16, 17, AND 18

Schedule I — NONTAXABLE INCOME OTHER THAN INTEREST REPORTED IN SCHEDULE B (See Instruction 12)

Schedule J — EXPLANATION OF CREDITS CLAIMED IN ITEMS 22 AND 23 (See Instructions 22 and 23)

1. Personal Exemption

2. Credit for Dependents

Single, or married and not living with husband or wife
 Married and living with husband or wife
 Head of family (explain below)

Reason for support:
 I am over 18 years old

Schedule K — COMPUTATION OF EARNED INCOME CREDIT (See Instruction 24)

(1) If your net income is \$3,000 or less, use only this part of schedule

(2) If your net income is more than \$3,000, use only this part of schedule

Net income (item 20, page 1) \$
 Earned income credit (10% of net income above)

Earned net income (not more than \$14,000) \$
 Net income (item 20, page 1)
 Earned income credit (10% of earned net income or net income above, whichever amount is smaller, but do not enter less than \$500)

QUESTIONS

1. State your principal occupation or profession Investment
2. Check whether you are a citizen ☒ or a resident alien ☐.
3. If you filed a return for the preceding year, to which Collector's office was it sent? LOS ANGELES
4. Are items of income or deductions of both husband and wife included in this return? (See Instruction A) ☒
5. State name of husband or wife if a separate return was made, personal exemption, if any, claimed thereon, and the Collector's office to which it was sent: Los Angeles - no exemption claimed
6. Check whether this return was prepared on the cash ☒ or accrual ☐ basis.
7. Did you at any time during your taxable year own directly or indirectly any stock of a foreign corporation or a personal holding company as defined by section 402? (Answer "yes" or "no") ☐ (If answer is "yes," attach schedule required by Instruction M.)

AFFIDAVIT. (See Instruction F)

I/we swear (or affirm) that this return (including any accompanying schedules and statements) has been examined by me/us, and to the best of my/our knowledge and belief is a true, correct, and complete return, made in good faith, for the taxable year stated, pursuant to the Revenue Act of 1938 and the regulations issued under authority thereof.

Subscribed and sworn to by Margaret J. Kupper
 before me this 23 day of January, 1939

Inspector Kupper
 (Signature) (See Instruction F)

A return made by an agent must be accompanied by power of attorney. (See Instruction F.)

(If this is a joint return (not made by agent), it must be signed by both husband and wife. It must be sworn to before a proper officer by the person preparing the return. If neither or both prepare the return, it must be sworn to by both persons.)

AFFIDAVIT. (See Instruction F)

(If this return was prepared for you by some other person, the following affidavit must be executed)

I/we swear (or affirm) that I/we prepared this return for the person or persons named herein and that the return (including any accompanying schedules and statements) is a true, correct, and complete statement of all the information respecting the income tax liability of the person or persons for whom this return has been prepared of which I/we have any knowledge.

Subscribed and sworn to before me this 23rd day
 of January, 1939

(Signature of person preparing the return)

Dorothy J. Kupper
 (Signature and title of officer administering oath)
 NOTARY PUBLIC

JAMES A. Kupper
 (Signature of person preparing the return)
 JAMES A. Kupper

(Testimony of George S. Gaylord.)

Mr. Coon: Margaret G. Ruppel's return for 1939.

The Judge: Exhibit P.

(The said 1939 return of Margaret G. Ruppel, so offered and received in evidence was marked Respondent's Exhibit P, and made a part of this record.)

FORM 1040
Treasury Department
Internal Revenue Service

UNITED STATES
INDIVIDUAL INCOME TAX RETURN 1939

Page 1

FOR NET INCOMES OF MORE THAN \$5,000 FROM SALARIES, WAGES,
DIVIDENDS, INTEREST, ANNUITIES, AND FOR INCOMES FROM
OTHER SOURCES REGARDLESS OF AMOUNTS

For Calendar Year 1939

or fiscal year beginning _____, 1938, and ended _____, 1940

To be filed with the Collector of Internal Revenue for your district not later than the 15th day of the third
month following the close of your taxable year

PRINT NAME AND ADDRESS PLAINLY. (Give Instructions C)

MARGARET A. DUPRE

2225 Rolles Avenue

Altadena, Los Angeles, California

(Do not use these spaces)

867430

CALIF.

MAR 15 1940

704.42

INCOME

- 1. Salaries and other compensation for personal services. (From Schedule A) \$ 2,500.00
- 2. Dividends
- 3. Interest on bank deposits, notes, mortgages, etc.
- 4. Interest on government bonds
- 5. Taxable interest on Government obligations, etc. (From Schedule B)
- 6. Income (or loss) from partnerships, syndications, pools, etc. (other than capital gains or losses). (Attach statement and schedule)
- 7. Income from fiduciaries. (Specify name and address)
George S. and Gertrude E. Gaylord Trust, Pasadena 11,232.70
- 8. Rents and royalties. (From Schedule C)
- 9. Income (or loss) from business or profession. (From Schedule D)
- 10. (a) Net short-term gain from sale or exchange of capital assets. (From Schedule F)
(b) Net long-term gain (or loss) from sale or exchange of capital assets. (From Schedule F)
(c) Net gain (or loss) from sale or exchange of property other than capital assets. (From Schedule G)
- 11. Other income (including income from annuities) (State source)
- 12. Total income in items 1 to 11. (Enter amounts from items 1 to 11) \$ 13,232.70

DEDUCTIONS

- 13. Contributions paid. (Schedule to Schedule 12)
- 14. Interest. (Schedule to Schedule 12)
- 15. Taxes. (Schedule to Schedule 12)
- 16. Losses from fire, storm, shipwreck, or other casualty, or theft. (Attach statement)
- 17. Bad debts. (Schedule to Schedule 12)
- 18. Other deductions authorized by law. (Schedule to Schedule 12)
- 19. Total deductions in items 13 to 18. \$ 683.42
- 20. Net income (from 12 minus item 19). \$ 12,549.29

COMPUTATION OF TAX

- 21. Net income (from 20 above) \$ 12,549.29
- 22. Less: Personal exemption. (From Schedule 1-A) \$ 500.00
- 23. Credit for dependents. (From Schedule 1-B) 400.00
- 24. Balance (after net income) \$ 11,649.29
- 25. Less: Taxes on Government obligations on the basis of 1938. \$
- 26. Excess income credit. (From Schedule E-1 and E-2) 300.00
- 27. Balance subject to normal tax \$ 11,349.29
- 28. Normal tax (4% of item 27) \$ 453.57
- 29. Surtax on item 28. (See Instructions 28) \$ 310.15
- 30. Total (from 28 plus item 29) \$ 763.72
- 31. Total tax (from 30, or if you had a net long-term capital gain or loss, enter line 16, Schedule F) \$
- 32. Less: Income tax paid at source \$
- 33. Balance of tax (from 31 minus item 32 and 33) \$ 763.72
- 34. Balance of tax (from 31 minus item 32 and 33) \$ 763.72

NOTE—One form marked "DUPLICATE COPY" must be filed with this original return (25 will be returned if duplicate copy is not filed)

P.1

(Testimony of George S. Gaylord.)

Respondent's Exhibit P—(Continued)

Schedule A.—INCOME RECEIVED FROM OTHERS CONSISTING OF SALARIES, WAGES, FEES, AND OTHER COMPENSATION FOR PERSONAL SERVICES. (See Instruction 1)

1. Name and address of employer and nature of income	2. Amount	4. Amount
$\frac{1}{2}$ of husband's salary		
Latisteel Corp.	\$2,500.00	_____
Total of column 2 minus total of column 4 (enter as item 1, page 1).....		\$2,500.00

Schedule B.—INTEREST ON GOVERNMENT OBLIGATIONS, ETC. (See Instruction G)

[Followed by printed form not filled in]

Schedule C.—INCOME FROM RENTS AND ROYALTIES.
(See Instruction 8)

[Followed by printed form not filled in]

Schedule D.—PROFIT (OR LOSS) FROM BUSINESS OR PROFESSION. (See Instruction 9)

[Followed by printed form not filled in]

Schedule E.—EXPLANATION OF DEDUCTION FOR DEPRECIATION CLAIMED IN SCHEDULES C, D, F and G

[Followed by printed form not filled in]

Schedule F.—GAINS AND LOSSES FROM SALES OR EXCHANGES OF CAPITAL ASSETS. (See Instruction 10)

[Followed by printed form not filled in]

Schedule G.—GAINS AND LOSSES FROM SALES OR EXCHANGES OF PROPERTY OTHER THAN CAPITAL ASSETS. (See Instruction 10)

[Followed by printed form not filled in]

Schedule H.—EXPLANATION OF DEDUCTIONS CLAIMED IN ITEMS 13, 14, 15, 16, 17, AND 18

Page 4

1. Item No.	2. Explanation	3. Amount	1. Item No. (Continued)	2. Explanation (Continued)	3. Amount (Continued)
13	Junior League Club	\$ 26 00	15	Personal property	\$ 218 01
	Community Chest	10 00		Real Estate	309 12
				State income	119 92
		36 00			647 11

Schedule I.—NONTAXABLE INCOME OTHER THAN INTEREST REPORTED IN SCHEDULE B. (See Instruction G)

1. Source of income	2. Nature of income	3. Amount
		\$

Schedule J.—EXPLANATION OF CREDITS CLAIMED IN ITEMS 21 AND 23. (See Instructions 21 and 23)

(1) Personal Exemption			(2) Credit for Dependents		
Status	Number of persons during the year in each status	Credit claimed	Name of dependent and relationship	Number of months during the year Under 18 years old Over 18 years old	Credit claimed
Single, or married and not living with husband or wife					
Married and living with husband or wife	12	\$ 2,500 00	Daughter - Barbara	12	\$ 400 00
Head of family (explain below)					
			Reason for support if over 18 years old		

Schedule K.—COMPUTATION OF EARNED INCOME CREDIT. (See Instruction 26)

(1) If your net income is \$3,000 or less, use only this part of schedule		(2) If your net income is more than \$3,000, use only this part of schedule	
Net income (item 20, page 1)	\$	Earned net income (not more than \$14,000)	\$ 2,500 00
Earned income credit (10% of net income, above)		Net income (item 20, page 1)	13,043 29
		Earned income credit (10% of earned net income or 10% of net income, above, whichever amount is smaller, but do not enter less than \$300)	300 00

QUESTIONS

1. State your principal occupation or profession INVESTMENTS
2. Check whether you are a citizen ☒ or a resident alien ☐.
3. If you filed a return for the preceding year, to which Collector's office was it sent? LOS ANGELES
4. Are items of income or deductions of both husband and wife included in this return? NO
5. State (a) Name of husband or wife if separate return was made LOUIS HUGEL
- (b) Personal exemption, if any, claimed thereon NONE
- (c) Collector's office to which it was sent LOS ANGELES
6. Check whether this return was prepared on the cash ☒ or accrual ☐ basis.
7. Did you at any time during your taxable year own directly or indirectly any stock of a foreign corporation or a personal holding company as defined by section 501? (Answer "yes" or "no") NO (If answer is "yes," attach statement required by Instruction J)

AFFIDAVIT. (See Instruction E)

I/we swear (or affirm) that this return (including any accompanying schedules and statements) has been examined by me/us, and to the best of my/our knowledge and belief is a true, correct, and complete return, made in good faith, for the taxable year stated, pursuant to the Internal Revenue Code, as amended, and the regulations issued under authority thereof.

Subscribed and sworn to by Margaret Huggins

Margaret Huggins
(Signature) (See Instruction E)

before me this 14 day of June, 1946

NOTARY PUBLIC

(Signature)

A return made by an agent must be accompanied by power of attorney. (See Instruction E.)

My Commission Expires Jun. 12, 1947

AFFIDAVIT. (See Instruction E)

(If this return was prepared for you by some other person, the following affidavit must be executed)

I/we swear (or affirm) that I/we prepared this return for the person or persons named herein and that the return (including any accompanying schedules and statements) is a true, correct, and complete statement of all the information respecting the income tax liability of the person or persons for whom this return has been prepared of which I/we have any knowledge.

Subscribed and sworn to before me this 26 day of June, 1946



(Department of person preparing the return)

(Department of person preparing the return)

JAMES W. FONTENOT & CO.

LOS ANGELES

and for the County of Los Angeles, State of California

My Commission Expires June 12, 1947

(Testimony of George S. Gaylord.)

Mr. Coon: Now, your Honor please, the corresponding returns for Gertrude Gaylord Bruce. Her return, Gertrude Gaylord, for 1936.

The Judge: Exhibit Q.

(The said 1936 return of Gertrude Gaylord, so offered and received in evidence was marked Respondent's Exhibit Q, and made a part of this record.)

INDIVIDUAL INCOME TAX RETURN

FOR THE INCOME YEAR ENDING ON OR ABOUT JANUARY 1, 1936

For Calendar Year 1936

Full name of taxpayer: **GERTRUDE GRAY RICH**

Address: **639 Belmont Ave. Chicago**

City: **Chicago**

State: **Ill.**

County: **Cook**

Married or single: **Married**

Spouse's name: **Charles**

Spouse's address: **639 Belmont Ave. Chicago**

Spouse's city: **Chicago**

Spouse's state: **Ill.**

Spouse's county: **Cook**

Spouse's married or single: **Married**

Spouse's spouse's name: **Charles**

Spouse's spouse's address: **639 Belmont Ave. Chicago**

Spouse's spouse's city: **Chicago**

Spouse's spouse's state: **Ill.**

Spouse's spouse's county: **Cook**

Spouse's spouse's married or single: **Married**

Spouse's spouse's spouse's name: **Charles**

Spouse's spouse's spouse's address: **639 Belmont Ave. Chicago**

Spouse's spouse's spouse's city: **Chicago**

Spouse's spouse's spouse's state: **Ill.**

Spouse's spouse's spouse's county: **Cook**

Spouse's spouse's spouse's married or single: **Married**

Spouse's spouse's spouse's spouse's name: **Charles**

Spouse's spouse's spouse's spouse's address: **639 Belmont Ave. Chicago**

Spouse's spouse's spouse's spouse's city: **Chicago**

Spouse's spouse's spouse's spouse's state: **Ill.**

Spouse's spouse's spouse's spouse's county: **Cook**

Spouse's spouse's spouse's spouse's married or single: **Married**

Spouse's spouse's spouse's spouse's spouse's name: **Charles**

Spouse's spouse's spouse's spouse's spouse's address: **639 Belmont Ave. Chicago**

Spouse's spouse's spouse's spouse's spouse's city: **Chicago**

Spouse's spouse's spouse's spouse's spouse's state: **Ill.**

Spouse's spouse's spouse's spouse's spouse's county: **Cook**

Spouse's spouse's spouse's spouse's spouse's married or single: **Married**

Spouse's spouse's spouse's spouse's spouse's spouse's name: **Charles**

Spouse's spouse's spouse's spouse's spouse's spouse's address: **639 Belmont Ave. Chicago**

Spouse's spouse's spouse's spouse's spouse's spouse's city: **Chicago**

Spouse's spouse's spouse's spouse's spouse's spouse's state: **Ill.**

Spouse's spouse's spouse's spouse's spouse's spouse's county: **Cook**

Spouse's spouse's spouse's spouse's spouse's spouse's married or single: **Married**

INCOME

1. Salaries, Wages, Commissions, Fees, etc. (From name and address of employer)

2. Dividends (From name and address of corporation)

3. Interest (From name and address of bank or other institution)

4. Rents (From name and address of tenant)

5. Profits (From name and address of partnership)

6. Capital Gains (From name and address of corporation)

7. Other Income (From name and address of corporation)

8. Total Income (Sum of items 1 through 7)

9. Deductions (From name and address of corporation)

10. Taxable Income (Sum of items 8 and 9)

11. Other Deductions (From name and address of corporation)

12. Total Taxable Income (Sum of items 10 and 11)

13. Income Tax (From name and address of corporation)

14. Total Tax (Sum of items 12 and 13)

15. Other Deductions (From name and address of corporation)

16. Total Taxable Income (Sum of items 10 and 11)

17. Income Tax (From name and address of corporation)

18. Total Tax (Sum of items 12 and 13)

19. Other Deductions (From name and address of corporation)

20. Total Taxable Income (Sum of items 10 and 11)

21. Income Tax (From name and address of corporation)

22. Total Tax (Sum of items 12 and 13)

23. Other Deductions (From name and address of corporation)

24. Total Taxable Income (Sum of items 10 and 11)

25. Income Tax (From name and address of corporation)

26. Total Tax (Sum of items 12 and 13)

27. Other Deductions (From name and address of corporation)

28. Total Taxable Income (Sum of items 10 and 11)

29. Income Tax (From name and address of corporation)

30. Total Tax (Sum of items 12 and 13)

31. Other Deductions (From name and address of corporation)

32. Total Taxable Income (Sum of items 10 and 11)

33. Income Tax (From name and address of corporation)

34. Total Tax (Sum of items 12 and 13)

35. Other Deductions (From name and address of corporation)

36. Total Taxable Income (Sum of items 10 and 11)

37. Income Tax (From name and address of corporation)

38. Total Tax (Sum of items 12 and 13)

39. Other Deductions (From name and address of corporation)

40. Total Taxable Income (Sum of items 10 and 11)

41. Income Tax (From name and address of corporation)

42. Total Tax (Sum of items 12 and 13)

43. Other Deductions (From name and address of corporation)

44. Total Taxable Income (Sum of items 10 and 11)

45. Income Tax (From name and address of corporation)

46. Total Tax (Sum of items 12 and 13)

47. Other Deductions (From name and address of corporation)

48. Total Taxable Income (Sum of items 10 and 11)

49. Income Tax (From name and address of corporation)

50. Total Tax (Sum of items 12 and 13)

51. Other Deductions (From name and address of corporation)

52. Total Taxable Income (Sum of items 10 and 11)

53. Income Tax (From name and address of corporation)

54. Total Tax (Sum of items 12 and 13)

55. Other Deductions (From name and address of corporation)

56. Total Taxable Income (Sum of items 10 and 11)

57. Income Tax (From name and address of corporation)

58. Total Tax (Sum of items 12 and 13)

59. Other Deductions (From name and address of corporation)

60. Total Taxable Income (Sum of items 10 and 11)

61. Income Tax (From name and address of corporation)

62. Total Tax (Sum of items 12 and 13)

63. Other Deductions (From name and address of corporation)

64. Total Taxable Income (Sum of items 10 and 11)

1. I am a resident of the United States.

2. I am a citizen of the United States.

3. I am a resident of the United States.

4. I am a citizen of the United States.

5. I am a resident of the United States.

6. I am a citizen of the United States.

7. I am a resident of the United States.

8. I am a citizen of the United States.

9. I am a resident of the United States.

10. I am a citizen of the United States.

11. I am a resident of the United States.

12. I am a citizen of the United States.

13. I am a resident of the United States.

14. I am a citizen of the United States.

15. I am a resident of the United States.

16. I am a citizen of the United States.

17. I am a resident of the United States.

18. I am a citizen of the United States.

19. I am a resident of the United States.

20. I am a citizen of the United States.

21. I am a resident of the United States.

22. I am a citizen of the United States.

23. I am a resident of the United States.

24. I am a citizen of the United States.

25. I am a resident of the United States.

26. I am a citizen of the United States.

27. I am a resident of the United States.

28. I am a citizen of the United States.

29. I am a resident of the United States.

30. I am a citizen of the United States.

31. I am a resident of the United States.

32. I am a citizen of the United States.

33. I am a resident of the United States.

34. I am a citizen of the United States.

35. I am a resident of the United States.

36. I am a citizen of the United States.

37. I am a resident of the United States.

38. I am a citizen of the United States.

39. I am a resident of the United States.

40. I am a citizen of the United States.

41. I am a resident of the United States.

42. I am a citizen of the United States.

(Testimony of George S. Gaylord.)

Respondent's Exhibit Q—(Continued)

Schedule A.—PROFIT (OR LOSS) FROM BUSINESS OR PROFESSION. (See Instruction 2)
 [Followed by printed form not filled in]

Schedule B.—INCOME FROM RENTS AND ROYALTIES. (See Instruction 9)

1. Kind of Property	2. Amount Received	3. Cost or Value as or Mar. 1, 1913, Which-ever Greater	4. Depreciation (Explain in table at foot of page)	5. Repairs	7. Net Profit (Enter as Item 9)
Stucco and frame	\$284.56	\$4,500	\$225	\$ 56.51	\$ 3.05

Schedules C, D, and F [Followed by printed forms not filled in]

EXPLANATION OF DEDUCTION FOR DEPRECIATION CLAIMED IN SCHEDULES A AND B

1. Kind of Property (if buildings, state material of which constructed)	2. Date Acquired	3. Cost or Mar. 1, 1913, Value if Acquired Prior to That (indicate basis)	5. Depreciation Allowed (or Allowable) in Prior Years	6. Remaining Cost or Other Basis to be Recovered	7. Life Used in Accumulating Depreciation	8. Estimated Remaining Life from Beginning of Year	9. Depreciation Allowable This Year
Stucco & frame	1935	\$4,500	\$ 0	\$4,500	20 yr.	20 yr.	\$225.00

[Endorsed]: T.C.U.S. Filed Apr. 2, 1943.

(Testimony of George S. Gaylord.)

Mr. Coon: Gertrude Gaylord Bruce for 1937.

The Judge: Exhibit R.

(The said 1937 return of Gertrude Gaylord Bruce, so offered and received in evidence was marked Respondent's Exhibit R, and made a part of this record.)

1937 **INDIVIDUAL INCOME TAX RETURN** 1937

Do not write in this space (Auditor's Stamp)

TREASURY DEPARTMENT (FORM 1040) INTERNAL REVENUE SERVICE

FOR NET INCOMES FROM SALARIES, WAGES, INTEREST, AND DIVIDENDS OF MORE THAN \$5,000, AND INCOMES FROM OTHER SOURCES REGARDLESS OF AMOUNTS

For Calendar Year 1937 or Fiscal Year beginning _____, 1937, and ended _____, 1938

File this return not later than the 15th day of the third month following the close of the taxable year

PRINT NAME AND ADDRESS PLAINLY (See Instructions 12)

GERTHUE G. BRUCE
1466 Charlton Road
San Marino (Post office) Calif

Do not use these spaces

No. **279**

Serial Number

Check (Cashier's Stamp)

Cash (Check M.O. First Payment)

INCOME

1. Salaries and other compensation for personal services (From Schedule A) \$ 422.77

2. Dividends from domestic and foreign corporations

3. Interest on bank deposits, notes, mortgages, etc.

4. Interest on corporation bonds

5. Taxable interest on Government obligations, etc. (From Schedule B)

7. Income (or loss) from partnerships, syndicates, pools, etc. (Furnish name and address)
San S. Say Pond & Friends of My Lord Trustees, 639 Rosemont Ave, Pasadena, Calif 15247.89

8. Income from fiduciaries (Furnish name and address)

8. Rents and royalties (From Schedule C)

9. Income (or loss) from business or profession (From Schedule D)

10. Gain (or loss) from sale or exchange of property (From Schedule F) APR 2 - 1943

11. Other income (state nature, use separate schedule if necessary)

12. Total income in items 1 to 11 (enter nontaxable income in Schedule B) \$ 15900.07

DEDUCTIONS

13. Contributions (explain in Schedule C)

14. Interest (explain in Schedule C)

15. Taxes (explain in Schedule C)

16. Losses by fire, storm, etc. (explain in Schedule C)

17. Bad debts (explain in Schedule C)

18. Other deductions authorized by law (explain in Schedule C)

19. Total deductions in items 13 to 18

20. Net income (item 12 minus item 19) \$ 534.41

COMPUTATION OF TAX

21. Net income (item 20 above) \$ 534.41

22. Less: Personal exemption (From Schedule I) \$ 187.49

23. Credit for dependents (From Schedule I)

24. Balance (net income) \$ 346.92

25. Less: Interest on Government obligations (item 5)

26. Earned income credit (From Schedule J) 300

27. Balance subject to normal tax \$ 46.92

28. Normal tax (6% of item 27) \$ 2.81

29. Surtax on item 24 (see Instruction 29)

30. Total tax (item 28 plus item 29) \$ 2.81

31. Less: Income tax paid at source

32. Income tax paid to a foreign country or U.S. possession

33. Balance of tax (from 30 minus items 31 and 32)

NOTE—One form marked "DUPLICATE COPY" must be filed with this original return (33 will be assessed if duplicate copy is not filed)

(Testimony of George S. Gaylord.)

Respondent's Exhibit R—(Continued)

Schedule A.—INCOME FROM SALARIES AND OTHER COMPENSATION FOR PERSONAL SERVICES. (See Instruction 1)

[Followed by printed form not filled in]

Schedule B.—INTEREST ON GOVERNMENT OBLIGATIONS, ETC. (See Instruction 5)

[Followed by printed form not filled in]

Schedule C.—INCOME FROM RENTS AND ROYALTIES. (See Instruction 8)

1. Kind of Property	2. Amount	3. Depreciation (Explain in Schedule E)	6. Net Profit (Enter as Item 8, page 1)
Plaster & Wood House.....	\$ 454.41	\$ 225	\$ 239.41

Schedule D.—PROFIT (OR LOSS) FROM BUSINESS OR PROFESSION. (See Instruction 9)
[Followed by printed form not filled in]Schedule E.—EXPLANATION OF DEDUCTION FOR DEPRECIATION CLAIMED IN
SCHEDULES C AND D

1. Kind of Property (If Buildings, State Material of Which Constructed)	2. Date Acquired	3. Cost or Other Basis	5. Deprecia- tion Allowed (or Allow- able) In Prior Years	6. Remain- ing Cost or Other Basis to be Recovered	7. Life Used in Accum- ulating De- preciation	8. Estimated Remaining Life From Beginning of Year	9. Deprecia- tion allow- able this year
Plaster & Wood House	1935	\$4,500	\$225	\$4,275	20 yr.	19 yr.	\$225

(Testimony of George S. Gaylord.)

Respondent's Exhibit R—(Continued)

Schedule F.—GAINS AND LOSSES FROM SALES OR EX-
CHANGES OF PROPERTY. (See Instruction 10)

[Followed by printed form not filled in]

Schedule G.—EXPLANATION OF DEDUCTIONS CLAIMED
IN ITEMS 13, 14, 15, 16, 17, AND 18

Calif State Income Tax....	399.19	Community Chest	5.00
Real Estate Tax	135.22		
	534.41		

Schedule H.—NONTAXABLE INCOME OTHER THAN IN-
TEREST REPORTED IN SCHEDULE B.
(See Instruction 12)

[Followed by printed form not filled in]

Schedule I.—EXPLANATION OF CREDITS CLAIMED IN
ITEMS 22 AND 23. (See Instructions 22 and 23)

(a) Personal Exemption		
Status	Number of Mos. During Year in Each Status	Credit Claimed
Single or married and not living with husband or wife.....	5 mos.	\$ 416.66
Married and living with hus- band or wife	7 mos.	1,458.31
Head of family (explain below)		\$1,874.97

Schedule J.—COMPUTATION OF EARNED INCOME
CREDIT. (See Instruction 26)

[Followed by printed form not filled in]

QUESTIONS

- 1. State your principal occupation or profession: Housewife.
- 2. Check whether you are a citizen [☒] or resident alien [☐].
- 3. If you filed a return form the preceding year, to which Col-
lector's office was it sent: Los Angeles.
- 4. Are items of income or deductions of both husband and wife
included in this return? (See Instruction B): No.

(Testimony of George S. Gaylord.)

Respondent's Exhibit R—(Continued)

Questions—(Continued)

5. State name of husband or wife if a separate return was made, and the Collector's office to which it was sent: Eugene L. Bruce, Los Angeles.
6. Check whether this return was prepared on the cash [☒] or accrual [☐] basis.
7. Did you at any time during your taxable year own directly or indirectly any stock of a domestic or foreign personal holding company? (Answer "yes" or "no"): No. If answer is "yes", attach schedule required by Instruction M.

AFFIDAVIT. (See Instruction F)

(If this return was prepared for you by some other person, the following affidavit must be executed)

I/we swear (or affirm) that I/we prepared this return for the person or persons named herein and that the return (including any accompanying schedules and statements) is a true, correct, and complete statement of all the information respecting the income-tax liability of the person or persons for whom this return has been prepared of which I/we have any knowledge.

GERTRUDE G. BRUCE

(Signature of person preparing the return)

Subscribed and sworn to before me this 3rd day of March, 1938.

(Seal)

ALICE F. JACKSON

(Signature and title of officer administering oath)

My Commission Expires Sept. 19, 1939.

[Endorsed]: T.C.U.S. Filed Apr. 2, 1943.

Mr. Coon: Gertrude Gaylord Bruce for 1938.

The Judge: Exhibit S. [352]

(The said 1938 return of Gertrude Gaylord Bruce, so offered and received in evidence was marked Respondent's Exhibit S, and made a part of this record.)

Treasury Department

FIELD
FORM 1040
UNITED STATES

Internal Revenue Service

Page 1

1938 INDIVIDUAL INCOME TAX RETURN 1938

(Auditor's Stamp)

FOR NET INCOMES OF MORE THAN \$5,000 FROM SALARIES, WAGES,
DIVIDENDS, INTEREST, ANNUITIES, AND FOR INCOMES FROM
OTHER SOURCES REGARDLESS OF AMOUNTS

For Calendar Year 1938

or fiscal year beginning 1938, and ended 1938

(Before Preparing This Return, Read the Instructions Carefully)

To be filed with the Collector of Internal Revenue for your district not later than the 15th day of the first
month following the close of your taxable year

PRINT NAME AND ADDRESS PLAINLY (See Instructions B)

GERTRUDE G. BRUCE

1466 Charlton Road

San Marino Los Angeles California

(Do not use these spaces)

374

03571

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11

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L. E. Mitchell

INCOME

1. Salaries and other compensation for personal services. (From Schedule A) \$ 896 25
2. Dividends
3. Interest on bank deposits, notes, mortgages, etc.
4. Interest on corporation bonds
5. Taxable interest on Government obligations, etc. (From Schedule B)
6. Income (or loss) from partnerships, syndicates, pools, etc. (other than capital gains or losses). (From Schedule C and Schedule D)
7. Income from salaried employment. (From Schedule E and Schedule F)
George S. and Gertrude H. Gaylord, Pasadena 1,707 10
8. Rents and royalties. (From Schedule G) 104 10
9. Income (or loss) from business or profession. (From Schedule H)
10. (a) Net short-term gain from sale or exchange of capital assets. (From Schedule I)
(b) Net long-term gain (or loss) from sale or exchange of capital assets. (From Schedule J) 6,152 75
(c) Net gain (or loss) from sale or exchange of property other than capital assets. (From Schedule K)
11. Other income (including income from annuities). (Other sources, see separate schedule if necessary)
12. Total income in items 1 to 11. (Enter separate amounts in Schedule L) \$ 8,949 28

DEDUCTIONS

13. Contributions paid. (Schedule L to Schedule M) Community Chest \$ 5 00
14. Interest. (Schedule L to Schedule M)
15. Taxes. (Schedule L to Schedule M) \$ 839 10
16. Losses from fire, storm, shipwreck, or other casualty, or theft.
17. Bad debts. (Schedule L to Schedule M)
18. Other deductions authorized by law. (Schedule L to Schedule M)
19. Total deductions in items 13 to 18. \$ 844 20
20. Net income (Item 12 minus item 19) \$ 8,105 08

COMPUTATION OF TAX

21. Net income (Item 20 above) \$ 8,105 08
22. Less: Personal exemption. (From Schedule N-1) \$ 250 00
23. Credit for dependents. (From Schedule N-2) 233 33 2,773 33
24. Balance (surplus net income) \$ 5,371 85
25. Less: Income on Government obligations, etc. (See Instructions N)
26. Earned income credit. (From Schedule N-3 and N-4) 300 00 5,071 85
27. Balance subject to normal tax \$ 5,071 85
28. Normal tax (4% of item 27) \$ 202 87
29. Surtax on item 24. (See Instructions N) 54 87
30. Total (Item 28 plus item 29) \$ 257 74
31. Total tax (item 30, or if you had a net long-term capital gain or loss, enter line 16, Schedule F)
32. Less: Income tax paid at source \$
33. Balance of tax (item 31 minus item 32 and 33) \$ 257 74
34. Balance of tax (item 31 minus item 32 and 33) \$ 257 74

NOTE—One form marked "DUPLICATE COPY" must be filed with this original return (It will be assumed if duplicate copy is not filed)

Schedule A—INCOME RECEIVED FROM OTHERS CONSISTING OF SALARIES, WAGES, FEES, AND OTHER COMPENSATION FOR PERSONAL SERVICES. (See Instruction 1)

1. Name and address of employer and nature of service	2. Amount	3. Expense (deducted)	4. Amount
Husband's salary	896 25		
Total of column 2 minus total of column 3 (enter in Item 1, page 1)			

Schedule B—INTEREST ON GOVERNMENT OBLIGATIONS, ETC. (See Instruction 2)

1. Obligation or certificate	2. Amount owned on end of year including any prepayments above of such obligation less paid by coupon, interest, or otherwise	3. Interest received or accrued during the year	4. Interest exempt from taxation	5. Interest on account of income of exempt
(a) Obligations of a State, Territory, or political subdivision thereof, or the District of Columbia, or United States government			All	
(b) Obligations issued under Federal Farm Loan Act, or under such Act as amended			All	
(c) Obligations of United States issued on or before September 1, 1917			All	
(d) Treasury Notes, Treasury Bills, and Treasury Certificates of Indebtedness			All	
(e) United States Savings Bonds and Treasury Bonds			All	
(f) Obligations of instrumentalities of the United States (other than obligations to be reported in (a) above)			None	
(g) Total (enter in Item 3, page 1)				

Schedule C—INCOME FROM RENTS AND ROYALTIES. (See Instruction 3)

1. Kind of property	2. Amount	3. Depreciation (Schedule D)	4. Repair (Schedule D)	5. Other expense (Schedule D)	6. Net profit before 1 and 2 minus 3, 4, and 5
Dwelling	41600	226 00	68 60	19 30	103 10

Explanation of deductions claimed in columns 4 and 5: Painting \$67.00, Repair window \$1.00, Water \$19.30

Schedule D—PROFIT (OR LOSS) FROM BUSINESS OR PROFESSION. (See Instruction 4)

1. Total receipts (state nature of business or profession)		2. COST OF GOODS SOLD		3. OTHER BUSINESS DEDUCTIONS		4.
2. Labor		10. Salaries not included as "Labor" (do not deduct compensation for yourself)				
3. Material and supplies		11. Interest on business indebtedness				
4. Merchandise bought for sale		12. Taxes on business and business property				
5. Other costs (describe below)		13. Losses (explain below)				
6. Plus inventory at beginning of year		14. Bad debts arising from sales or services				
7. Total (Lines 2 to 6)		15. Depreciation, obsolescence, and depletion (explain in Schedule E)				
8. Less inventory at end of year		16. Rent, repairs, and other expenses (describe below or on separate sheet)				
9. Net cost of goods sold (Line 7 minus line 8)		17. Total (Lines 10 to 16)				
Enter "C," "T," or "M," on lines 4 and 9 to indicate whether inventories are valued at cost, or cost or market, whichever is lower		18. Total deductions (Line 9 plus line 17)				
		19. Net profit (or loss) (Line 1 minus line 18) (enter in Item 4, page 1)				

Explanation of deductions claimed in lines 5, 13, and 16

Schedule E—EXPLANATION OF DEDUCTION FOR DEPRECIATION CLAIMED IN SCHEDULES C, D, F, AND G

1. Kind of property (if buildings, state material of which constructed)	2. Date acquired	3. Cost or other basis	4. Annual depreciation (state year and amount)	5. Depreciation claimed for charitable or other purposes	6. Remaining cost or other basis to be depreciated	7. Estimated life and percentage depreciation taken	8. Depreciation allowed for year
Wood and plaster	1935	4500 00		450 00	4050 00	20 Y 1 %	800



[illegible]

SUMMARY OF CAPITAL NET GAINS OR LOSSES

1. Classification	2. May paid or less for the telephone service from October 1st, 1944		3. May paid or less for the telephone service from November 1st, 1944		4. Total cost paid or less for telephone service from October 1st, 1944 to November 1st, 1944	
	Cost	Less	Cost	Less	Cost	Less
1. Total net short-term unpaid calls or less (enter in Item 10-4), group 1, amount of reductions in column 2						
2. Total net long-term unpaid calls or less (enter in Item 10-5), group 1, amount of reductions in column 2						
			\$ 182.76		\$ 182.76	

State the family, fiduciary, or business relationship to you, if any, of purchaser of any of the above shares
if any of the above shares were acquired by you other than by purchase, explain fully how acquired: _____

COMPUTATION OF ALTERNATIVE TAX

THIS QUOTATION OF ALTERNATIVE TAX
IS TO BE USED ONLY IN THE CASE OF A NET LONGER-TERM CAPITAL GAIN OR LOSS

1. Net income from 1919, page 19.	1	8,105	76	16. Dividend tax (2% of line 19)	1	162	76
2. Net long-term capital gain from 1919, page 19.	1	1,152	76	17. Surplus on line 6 (See instructions 20)	1	2,943	00
3. Net long-term capital loss from 1919, page 19.	1	1,152	76	18. Partial tax (line 18 plus line 16)	1	2,943	00
4. Net income from 1919, page 19, or line 1 plus line 2	1	1,152	76	19. 60% of net long-term capital gain (20% of line 16)	1	2,943	00
5. Less: Dividend tax (line 16)	1	1,152	76	20. 20% of net long-term capital loss (20% of line 16)	1	2,943	00
6. Less: Dividend tax (line 16)	1	1,152	76	21. Dividend tax (line 18 plus line 19)	1	2,943	00
7. Total income from 1919, page 19, or line 4 plus line 5	1	1,152	76	22. Total amount you and partner (line 21, page 19)	1	2,943	00
8. Less: Dividend tax (line 16)	1	1,152	76	23. Total amount you and partner (line 21, page 19)	1	2,943	00
9. Less: Dividend tax (line 16)	1	1,152	76	24. Total amount you and partner (line 21, page 19)	1	2,943	00
10. Less: Dividend tax (line 16)	1	1,152	76	25. Total amount you and partner (line 21, page 19)	1	2,943	00
11. Less: Dividend tax (line 16)	1	1,152	76	26. Total amount you and partner (line 21, page 19)	1	2,943	00
12. Less: Dividend tax (line 16)	1	1,152	76	27. Total amount you and partner (line 21, page 19)	1	2,943	00
13. Less: Dividend tax (line 16)	1	1,152	76	28. Total amount you and partner (line 21, page 19)	1	2,943	00
14. Less: Dividend tax (line 16)	1	1,152	76	29. Total amount you and partner (line 21, page 19)	1	2,943	00
15. Less: Dividend tax (line 16)	1	1,152	76	30. Total amount you and partner (line 21, page 19)	1	2,943	00
16. Less: Dividend tax (line 16)	1	1,152	76	31. Total amount you and partner (line 21, page 19)	1	2,943	00
17. Less: Dividend tax (line 16)	1	1,152	76	32. Total amount you and partner (line 21, page 19)	1	2,943	00
18. Less: Dividend tax (line 16)	1	1,152	76	33. Total amount you and partner (line 21, page 19)	1	2,943	00
19. Less: Dividend tax (line 16)	1	1,152	76	34. Total amount you and partner (line 21, page 19)	1	2,943	00
20. Less: Dividend tax (line 16)	1	1,152	76	35. Total amount you and partner (line 21, page 19)	1	2,943	00
21. Less: Dividend tax (line 16)	1	1,152	76	36. Total amount you and partner (line 21, page 19)	1	2,943	00
22. Less: Dividend tax (line 16)	1	1,152	76	37. Total amount you and partner (line 21, page 19)	1	2,943	00
23. Less: Dividend tax (line 16)	1	1,152	76	38. Total amount you and partner (line 21, page 19)	1	2,943	00
24. Less: Dividend tax (line 16)	1	1,152	76	39. Total amount you and partner (line 21, page 19)	1	2,943	00
25. Less: Dividend tax (line 16)	1	1,152	76	40. Total amount you and partner (line 21, page 19)	1	2,943	00
26. Less: Dividend tax (line 16)	1	1,152	76	41. Total amount you and partner (line 21, page 19)	1	2,943	00
27. Less: Dividend tax (line 16)	1	1,152	76	42. Total amount you and partner (line 21, page 19)	1	2,943	00
28. Less: Dividend tax (line 16)	1	1,152	76	43. Total amount you and partner (line 21, page 19)	1	2,943	00
29. Less: Dividend tax (line 16)	1	1,152	76	44. Total amount you and partner (line 21, page 19)	1	2,943	00
30. Less: Dividend tax (line 16)	1	1,152	76	45. Total amount you and partner (line 21, page 19)	1	2,943	00
31. Less: Dividend tax (line 16)	1	1,152	76	46. Total amount you and partner (line 21, page 19)	1	2,943	00
32. Less: Dividend tax (line 16)	1	1,152	76	47. Total amount you and partner (line 21, page 19)	1	2,943	00
33. Less: Dividend tax (line 16)	1	1,152	76	48. Total amount you and partner (line 21, page 19)	1	2,943	00
34. Less: Dividend tax (line 16)	1	1,152	76	49. Total amount you and partner (line 21, page 19)	1	2,943	00
35. Less: Dividend tax (line 16)	1	1,152	76	50. Total amount you and partner (line 21, page 19)	1	2,943	00
36. Less: Dividend tax (line 16)	1	1,152	76	51. Total amount you and partner (line 21, page 19)	1	2,943	00
37. Less: Dividend tax (line 16)	1	1,152	76	52. Total amount you and partner (line 21, page 19)	1	2,943	00
38. Less: Dividend tax (line 16)	1	1,152	76	53. Total amount you and partner (line 21, page 19)	1	2,943	00
39. Less: Dividend tax (line 16)	1	1,152	76	54. Total amount you and partner (line 21, page 19)	1	2,943	00
40. Less: Dividend tax (line 16)	1	1,152	76	55. Total amount you and partner (line 21, page 19)	1	2,943	

Subtotal G—GAINS AND LOSSES FROM SALES OR EXCHANGES OF PROPERTY OTHER THAN CAPITAL ASSETS

1. Kind of property	2. Date acquired	3. Date when paid (or date sold)	4. Date of sale	5. Amount of sale (or date of sale)	6. Amount of sale (or date of sale)	7. Amount of sale (or date of sale)

Total net profit for each item as shown on Form 1041, page 12

THE UNIVERSITY OF CHICAGO

State the family, kinship, or business relationship to you, if any, of purchaser of any of the above shares
if any of the above shares were acquired by you other than by purchase, explain fully how acquired _____



Schedule M—EXPLANATION OF DEDUCTIONS CLAIMED IN ITEMS 13, 14, 15, 16, 17, AND 18

Item 15 - State income taxes	\$266.55
Taxes on residence	390.84
Personal property tax	102.74
Taxes on income property	67.97
Auto and dog license	16.00
	<u>\$839.10</u>

Schedule L—NONTAXABLE INCOME OTHER THAN INTEREST REPORTED IN SCHEDULE B. (See Instruction 13)

1. Name of source	2. Nature of income	3. Amount

Schedule J—EXPLANATION OF CREDITS CLAIMED IN ITEMS 21 AND 22. (See Instructions 21 and 22)

(a) Personal Exemptions			(b) Credits for Dependents		
Name	Number of months during the year in which claimant	Credit claimed	Name of dependent and relationship	Number of months during the year	Credit claimed
				Under 18 years old	Over 18 years old
Single, or married and not living with husband or wife			Ann Bruce	7	\$233.33
Married and living with husband or wife	12	--			
Head of family (explain below)					
			Reason for support if over 18 years old		

Schedule K—COMPUTATION OF EARNED INCOME CREDIT. (See Instruction 23)

(a) If your net income is \$3,000 or less, use only this part of schedule		(b) If your net income is more than \$3,000, use only this part of schedule	
Net income (Item 28, page 1)	\$	Earned net income (not more than \$14,000)	\$ 896.26
Earned income credit (10% of net income, above)		Net income (Item 28, page 1)	8,108.18
		Earned income credit (10% of earned net income or net income, above, whichever amount is smaller, but do not enter less than \$300)	300.00

QUESTIONS

1. State your principal occupation or profession. Investments
2. Check whether you are a citizen ☒ or a resident alien ☐.
3. If you filed a return for the preceding year, to which Collector's office was it sent? Los Angeles
4. Are items of income or deductions of both husband and wife included in this return? (See Instruction A) No
5. State name of husband or wife if a separate return was made; personal occupation, if any, claimed thereon; and the Collector's office to which it was sent. Es. L. Bruce - Los Angeles - none claimed
6. Check whether this return was prepared on the cash ☒ or accrual ☐ basis.
7. Did you at any time during your taxable year own directly or indirectly any stock of a foreign corporation or a personal holding company as defined by section 402? (Answer "yes" or "no") No (If answer is "yes," attach schedule required by Instruction 34.)

AFFIDAVIT. (See Instruction 7)

I (we) swear (or affirm) that this return (including any accompanying schedules and statements) has been examined by me/us, and to the best of my/our knowledge and belief is a true, correct, and complete return, made in good faith, for the taxable year stated, pursuant to the Revenue Act of 1938 and the regulations issued under authority thereof.

Subscribed and sworn to by Gertrude J. Bruce Gertrude J. Bruce

before me this 23rd day of February, 1939

Oliver S. Jackson
Notary Public
(My commission expires Sept. 15, 1940)

AFFIDAVIT. (See Instruction 7)

(If this return was prepared for you by some other person, the following affidavit must be executed)
I (we) swear (or affirm) that I (we) prepared this return for the person or persons named herein and that the return (including any accompanying schedules and statements) is a true, correct, and complete statement of all the information regarding the income tax liability of the person or persons for whom this return has been prepared of which I (we) have any knowledge.

Subscribed and sworn to before me this 21st day of Feb., 1939

Dorothy Speckels
Notary Public
In and for the County of Los Angeles, State of California



James W. Foster & Co.
215 W. Washington Street
Los Angeles, California

84

(Testimony of George S. Gaylord.)

Mr. Coon: Gertrude Gaylord Bruce for 1939.

The Judge: Exhibit T.

(The said 1939 return of Gertrude Gaylord Bruce, so offered and received in evidence, was marked Respondent's Exhibit T, and made a part of this record.)

FORM 1040
Treasury Department
Internal Revenue Service

UNITED STATES INDIVIDUAL INCOME TAX RETURN 1939

Page 1

FOR NET INCOMES OF MORE THAN \$5,000 FROM SALARIES, WAGES,
DIVIDENDS, INTEREST, ANNUITIES, AND FOR INCOMES FROM
OTHER SOURCES REGARDLESS OF AMOUNTS

For Calendar Year 1939 ✓

or fiscal year beginning _____, 1939, and ended _____, 1940

To be filed with the Collector of Internal Revenue for your district not later than the 15th day of the third month following the close of your taxable year

PRINT NAME AND ADDRESS PLAINLY. (See Instructions C)

GEORGE S. BRUCE
(Name) (See page 10 for full treatment and rules, if this is a joint return)
1166 Charlton Road
(Street and number, or rural route)
San Marino Los Angeles California
(Post office) (County) (State)

(Do not use these spaces)
No. 374
857431
Date 1/14
(Collector's Stamp)
PAID
MAR 15 1940
606.47

(Auditor's Stamp)
REVIEWED
By A. H. Hester
DATE MAY 31 1940

INCOME

1. Salaries and other compensation for personal services. (From Schedule A)	\$ 1,253	66
2. Dividends		
3. Interest on bank deposits, notes, mortgages, etc.		
4. Interest on corporation bonds		
5. Taxable interest on Government obligations, etc. (From Schedule B)		
6. Income (or loss) from partnerships, syndicates, pools, etc. (other than capital gains or losses). (Provide name and address)		
7. Income from fiduciary. (Provide name and address)		
<u>George S. and Gertrude E. Gaylor Trust, Pasadena</u>	11,232	69
8. Rents and royalties. (From Schedule C)	114	16
9. Income (or loss) from business or profession. (From Schedule D)		
10. (a) Net short-term gain from sale or exchange of capital assets. (From Schedule F)		
(b) Net long-term gain (or loss) from sale or exchange of capital assets. (From Schedule F)		
(c) Net gain (or loss) from sale or exchange of property other than capital assets. (From Schedule G)		
11. Other income (including income from annuities) (State source)		
12. Total income in items 1 to 11. (Enter amount in item 12)	\$ 12,500	51

DEDUCTIONS

13. Contributions paid. (Schedule to Schedule 10)		
14. Interest. (Schedule to Schedule 10)		
15. Taxes. (Schedule to Schedule 10)		
16. Losses from fire, storm, shipwreck, or other casualty, or theft. (Schedule to Schedule 10)		
17. Bad debts. (Schedule to Schedule 10)		
18. Other deductions authorized by law. (Schedule to Schedule 10)		
19. Total deductions in items 13 to 18	5.00	
20. Net income (Item 12 minus item 19)	\$ 12,500	51

THE TAX COURT OF THE U. S.
DIV. 9 DOCKET # 10-1112
APR 2 1940
EXHIBIT I
RESPONDENT'S

COMPUTATION OF TAX

21. Net income (Item 20 above)	\$ 12,001	71
22. Less: Personal exemption. (From Schedule J-1)	\$ 2500	00
23. Credit for dependents. (From Schedule J-2)	400	00
24. Balance (surplus net income)	\$ 9,101	71
25. Less: Income on Government obligations, etc. (See Instructions B)		
26. Earned income credit. (From Schedule E-1 or E-2)	500	00
27. Balance subject to normal tax	\$ 8,601	71
28. Normal tax (4% of item 27)	\$ 344	07
29. Surplus on item 24. (See Instructions B)	25	00
30. Total (Item 28 plus item 29)	\$ 369	07
31. Total tax (item 30, or if you had a net long-term capital gain or loss, enter line 16, Schedule F)	\$ 369	07
32. Less: Income tax paid at source		
33. Income tax paid to a foreign source (Schedule F, line 11)		
34. Balance of tax (Item 31 minus items 32 and 33)	\$ 369	07

NOTE.—One form marked "DUPLICATE COPY" must be filed with this original return (25 will be assessed if duplicate copy is not filed)

Page 2

Schedule A—INCOME RECEIVED FROM OTHERS CONSISTING OF SALARIES, WAGES, FEES, AND OTHER COMPENSATION FOR PERSONAL SERVICES. (See Instruction 1)

1. Name and address of employer and nature of income	2. Amount	3. Expense (deduct)	4. Amount
1/2 of husband's salary from Touchstone and Touchstone	1,253.66		
Total of column 2 minus total of column 3 (enter on line 1, page 1)			1,253.66

Schedule B—INTEREST ON GOVERNMENT OBLIGATIONS, ETC. (See Instruction G)

1. Obligation or certificate	2. Amount earned or paid during year including your proportionate share of such interest that is held by estate, trust, partnership, or common trust fund	3. Interest received or earned during the year	4. Interest exempt from taxation	5. Interest on amounts in excess of exemption
6a. Obligations of U.S. Treasury, or political subdivision thereof, or the U.S. District Court, or U.S. Federal Reserve Bank, or U.S. Federal Reserve Bank of New York			ALL	
6b. Obligations issued under Federal Farm Loan Act, or under such Act			ALL	
6c. Obligations of United States issued on or before September 1, 1917			ALL	
6d. Treasury Notes, Treasury Bills, and Treasury Certificates of Indebtedness			ALL	
6e. United States Savings Bonds and Treasury Bonds				
6f. Obligations of Government of the United States (other than those referred to in 6a through 6e)			None	
6g. Total (enter on line 1, page 1)				

Schedule C—INCOME FROM RENTS AND ROYALTIES. (See Instruction H)

1. Kind of property	2. Amount	3. Depreciation (applies to Schedule E)	4. Repairs (applies to line 3)	5. Other expenses (includes line 4)	6. Net profit (loss) (enter on line 1, page 1)
Dwelling	425.44	225.00	63.13	23.15	112.26

Explanation of deductions

deducted in columns 4 and 5: Repairs, heater, etc. 63.13 -- Water 23.15

Schedule D—PROFIT (OR LOSS) FROM BUSINESS OR PROFESSION. (See Instruction I)

(Give business name and address if different from name and address on page 1)

1. Total receipts (state nature of business or profession)

GROSS OF GOODS SOLD	
2. Labor	
3. Materials and supplies	
4. Materials and freight for sale	
5. Other costs (includes line 4)	
6. Plus inventory at beginning of year	
7. Total (line 2 to 6)	
8. Less inventory at end of year	
9. Net cost of goods sold (line 7 minus line 8)	

OTHER BUSINESS DEDUCTIONS

10. Salaries not included as "Labor" (do not deduct compensation for yourself)	
11. Interest on business indebtedness	
12. Taxes on business and business property	
13. Losses (includes line 4)	
14. Bad debts arising from sales or services	
15. Depreciation, obsolescence, and depletion (applies to Schedule E)	
16. Rent, repairs, and other expenses (includes line 4 or on separate sheet)	
17. Total (lines 10 to 16)	
18. Total deductions (line 9 plus line 17)	
19. Net profit (or loss) (line 1 minus line 18) (enter on line 1, page 1)	

If the production, manufacture, purchase and sale of merchandise is an important part of the business, inventories are required. Enter "C" or "I" or "M" on lines 4 and 5 to indicate whether inventories are valued at cost, or cost or market, whichever is lower.

Explanation of deductions

deducted in lines 5, 13, and 16

Schedule E—EXPLANATION OF DEDUCTION FOR DEPRECIATION CLAIMED IN SCHEDULES C, D, F, AND G

1. Kind of property (if building, state nature of such structure)	2. Date acquired	3. Cost or other basis	4. Amount fully depreciated by use at end of year	5. Depreciation claimed for allowable life prior year	6. Remaining cost or other basis to be depreciated	7. Estimated life and in computing depreciation charge	8. Estimated remaining life from beginning of year	9. Depreciation deduction this year
Wood and plaster	1935	4,500.00		675.00	3,825.00	20y	16y	225.00

(Printers' Note): Schedules F and G not filled in.

Schedule H—EXPLANATION OF DEDUCTIONS CLAIMED IN ITEMS 12, 14, 15, 16, 17, AND 18

1. Item No.	2. Explanation	3. Amount	4. Item No.	5. Explanation (Continued)	6. Amount (Continued)
13	Community Chest	\$ 5 00	15	Real estate tax on income property on residence	\$ 63 99
				State income tax	257 12
					65 39
					1,16 80

Part 1. NONTAXABLE INCOME OTHER THAN INTEREST REPORTED IN SCHEDULE E. (See instruction C.)

1. Source of Income	2. Nature of Income	3. Amount

Schedule J.—EXPLANATION OF CREDITS CLAIMED IN ITEMS 21 AND 23. (See Instructions 21 and 23)

(A) Personal Exemptions				(B) Credits for Dependents			
Name	Number of months during the year in each status	Credit claimed		Name of dependent and relationship	Number of months during the year		Credit claimed
					Under 18 years old	Over 18 years old	
Single, or married and not living with husband or wife		\$					
Married and living with husband or wife	12	2,500	00	Daughter - Ann	12		400 00
Head of family (explain below)							
				Reason for support if over 18 years old			

Schedule K—COMPUTATION OF EARNED INCOME CREDIT. (See instruction 29)

(b) If your net income is \$0,000 or less, use only this part of column (b).		(b) If your net income is more than \$0,000, use only this part of column (b).	
Net income (Item 28, page 1)	\$	Earned net income (not more than \$14,000)	\$
Earned income credit (10% of net income, above)		Net income (Item 28, page 1)	12,000
		Earned income credit (10% of earned net income or 10% of net income, above, whichever amount is smaller, but do not enter less than \$300)	300

QUESTIONS

1. State your principal occupation or profession. INVESTMENTS
2. Check whether you are a citizen ☒ or a resident alien ☐.
3. If you filed a return for the preceding year, to which Collector's office was it sent? Los Angeles
4. Are items of income or deductions of both husband and wife included in this return? No
5. State (a) Name of husband or wife if separate return was made E. L. Bruce
(b) Personal exemption, if any, claimed thereon None
(c) Collector's office to which it was sent Los Angeles
6. Check whether this return was prepared on the cash ☐ or accrual ☐ basis.
7. Did you at any time during your taxable year own directly or indirectly any stock of a foreign corporation or a personal holding company as defined by section 501? (Answer "yes" or "no") No (If answer is "yes," attach statement required by instruction.)

AFFIDAVIT. (See Instruction E)

I/ve swear (or affirm) that this return (including any accompanying schedules and statements) has been examined by me/us, and to the best of my/our knowledge and belief is a true, correct, and complete return, made in good faith, for the taxable year stated, pursuant to the Internal Revenue Code, as amended, and the regulations issued under authority thereof. B. + 1 11 B...

Subscribed and sworn to by Artrade S. Brull
before me this 20th day of February 1904

Gertrude Y. Bruce

A return made by an agent must be accompanied by power of attorney. (See Instruction 1.)

AFFIDAVIT. (See Instruction E)

APPROXIMATE: (Date transcription of)

☐ If this return was prepared for you by some other person, the following address must be corrected:

I/We swear (or affirm) that I/we prepared this return for the person or persons named herein and that the return (including any accompanying schedules and statements) is a true, correct, and complete statement of all the information respecting the income tax liability of the person or persons for whom this return has been prepared of which I/we have any knowledge.

Subscribed and sworn to before me this 26 day
of Feb. 1946

Donny Decker
NOTARY PUBLIC

JAMES W. BOSTEMS & CO.

215 ~~WILSON~~ ~~DOUGLAS~~ ~~ANGEL~~

10 and the County of Los Angeles, Edward G. ...

(Testimony of George S. Gaylord.)

Mr. Coon: I offer all of the same in evidence, as identified, your Honor.

The Judge: Yes. They have been received.

Mr. Coon: If your Honor please, I move for permission to cause photostat copies of those returns to be made and substituted in the usual way.

The Judge: That may be done.

By Mr. Coon:

The Witness: The age of my older daughter in 1935 was 31 years old. The age of my other daughter in 1935 19. The younger daughter was not married.

Q. Now, in 1935, at the time the trust instrument in question was executed, what was your business in a general way? Of course, we all understand it was in connection likely with this paper mills company.

A. I was completely divorced in 1935——

Q. From that?

A. ——from any active participation in any business.

Q. You were in a way, you might say, retired then?

A. Yes. [353]

I never practiced law. I had never been a trust officer or banker. I knew the difference between giving my money away and giving it away with a string on it. I told my attorney I wanted an irrevocable trust. I went to the university.

Q. Well, did you tell him you wanted an irrevocable trust or did you tell him you wanted to give your money away with a string to it, or what did you tell him?

(Testimony of George S. Gaylord.)

A. I told him we wanted an irrevocable trust, that we wanted to give this away forever.

We did not go over with our attorney before the trust was typed up the provisions in it relative to the authority given me and Mrs. Gaylord as trustees over the corpus of the trust, the powers reserved to the trustees or given to the trustees. I left that to him. There was no talk between me and him about the reserve power to purchase and sell stock.

Witness excused.

GERTRUDE HULING GAYLORD

called as a witness by and on behalf of the petitioners, having been first duly sworn, was examined and testified as follows:

Direct Examination

By Mr. Dockweiler:

Witness: I am one of the petitioners in these proceedings. I am the wife of George S. Gaylord and have been his wife during all the times that have been mentioned.

Q. What was your understanding, if any, with Mr. Gaylord in connection with the creation of the trust provided for in the [354] Declaration of Trust dated November 7, 1935, and which has been introduced in evidence as Petitioners' Exhibit No. 1?

(Testimony of Gertrude Huling Gaylord.)

A. Mr. Gaylord and I had made up our minds to give our children some money, both of them, so we had talked it over and we had decided that if I gave 2,000 shares of the Marathon Paper Mills, he would give 5,000, and that was the way it was decided, and you were asked to draw up the trust.

Q. Was there any discussion as to how long this trust was to last, or whether you would have any right to change it?

A. Well, I thought it was to last forever. That was the understanding. There was no mention ever of having any power to do anything with it. I never knew that you could, even.

Q. And it was on that understanding of your mutual contributions?

A. That the children were to have it forever.

Q. By "the children," you mean your daughters?

A. My daughters.

The handling of the trust affairs, the business of the trust, after the trust was instituted, was taken care of by Mr. Gaylord, as trustee, who conducted the business of the trust. I left everything to him. I had perfect confidence in his ability in every way. I signed whatever documents were necessary from time to time. I owned as my separate property the 2,000 shares I contributed to the trust.

That is my signature, "Gertrude H. Gaylord," on the photographic copy of my gift tax return for the year 1935, which has been introduced in evidence as Petitioners' Exhibit No. 3, [355] now

(Testimony of Gertrude Huling Gaylord.)

shown to me. I swore to it before Alice F. Jackson on the 3rd day of February, 1936. That return was prepared by Mr. Gaylord. I read the return before signing it.

Q. And was this answer correct, in answer to the question: "Have you (the donor), during the calendar year indicated above, without an adequate and full consideration in money or money's worth, made any transfer exceeding \$5,000 in value (or regardless of value if a future interest) as follows?" And to the question: "By the creation of an irrevocable trust for the benefit of another?" And the answer in there is "Yes"?

A. Yes.

The answer "No" to the second question, "By making additions to an irrevocable trust previously created for the benefit of another?", in said return is correct. There was no other trust in existence at the time I signed this return than the trust of November 7, 1935.

Mr. Dockweiler: That is all.

Mr. Coon: No questions.

The Judge: Mr. Coon, do you have any questions?

Mr. Coon: No questions.

The Judge: You are excused.

Mr. Dockweiler: Now, if there is no objection, I want to excuse Mrs. Gaylord—unless you want Mrs. Gaylord back, I want to excuse her for the balance of the proceedings, so she will not have to return.

(Testimony of Gertrude Huling Gaylord.)

Mr. Coon: That is agreeable to me.

The Judge: You may be excused.

The Witness: All right.

Witness excused. [356]

It was stipulated between counsel for the petitioners and counsel for the respondent that the attorney who prepared the Declaration of Trust dated November 7, 1935 (Petitioners' Exhibit No. 1 theretofore received in evidence and Exhibit A to the petitions of the petitioners herein) did not at the time of drafting said declaration know of the 1931 amendment to Section 2280 of the Code of Civil Procedure.

The petitioners thereupon rested.

EVIDENCE ON BEHALF OF
RESPONDENT

(The hearing having been adjourned at 5:18 o'clock P. M. on April 2, 1943, to April 3, 1943, at 10:00 o'clock A. M., was resumed on said last mentioned day at 10:02 o'clock A. M.)

JOSEPH A. FIELD,

called as a witness by and on behalf of the respondent, having been first duly sworn, was examined and testified as follows:

Direct Examination

Mr. Coon: Your Honor please, I think for the information of yourself and also counsel, it will be well for me to make a brief statement

(Testimony of Joseph A. Field.)

before I ask this witness any questions. The purpose in putting him on the stand is to have him identify a schedule called Exhibit A, which is a part of his report of his examination of the stock transactions in this case, and my interrogation of him will be merely to show by him the method which he used, which is the Government's method in ascertaining the base that we rely on of \$2.83 and a fraction a share. I am doing this because I believe that your Honor should have in the [357] file the basic method—I mean our method of arriving at that computation, and I don't propose to put in the report as evidence, and I don't, in doing this, claim that any unverified date or figure in this schedule is evidence.

Mr. Dockweiler: There is certainly no objection on our part to have the Court fully informed as to the method or manner whereby the Government's figures were arrived at. Some of those figures we may at a later time be able to stipulate to as correct figures. Others I believe are vitally in dispute. But I believe the Court should have the various methods. We have given our method and the Government's method should be before the Court as well.

The Judge: That would be helpful. I desire, gentlemen, for the record to be in this shape: that any figures that are in dispute be definite, so that I shall not have any trouble in dealing with these two methods, and that those that are shown by the

(Testimony of Joseph A. Field.)

evidence or relied upon by the parties, as shown by the parties, all those that are agreed to as being correct figures be definite enough so that we can work with them. The possibility of having some figures lurking in documents such as were presented by the petitioner here yesterday, and as might be in there is about the only worry I have from it. But you gentlemen apparently have given that matter some thought, so I will have to rely on you to see that the record is clear on it, so that when I come to determine the facts or consider the facts from the evidence that I shall not be left dangling in the air on some of them. [358]

Mr. Coon: Yes, your Honor. I might say I will show this to counsel.

Mr. Dockweiler: Are you going to put them both together as Exhibit A?

Mr. Coon. Yes. I might say that I am sure there is no dispute between us as to the dates in the schedule. There is no dispute between us as to some of the figures. The divergencies will occur where the amalgamations and consolidations of companies occur, and we took a different figure and have a different base than the taxpayers.

Mr. Dockweiler: That is true.

The Judge: If they work out, or if those differences are the result of a different method of computation and approach, why, it would seem to me offhand that that should be cleared up when we get your two theories down in your brief.

(Testimony of Joseph A. Field.)

Mr. Coon: That would be a matter of argument in the briefs.

The Judge: That is the theory I was proceeding on, for yesterday, for instance, I couldn't possibly absorb all of that matter about which Mr. Gaylord was testifying, when he referred to those various exhibits to his petition, and I will have to follow them through more carefully when I come to determine the facts, and so I necessarily have to depend on you gentlemen to make the record complete, and I am assuming you will.

Mr. Coon: Yes, sir.

By Mr. Coon:

The Witness: I am the agent who investigated and [359] examined into Mr. Gaylord's stock transactions with reference to the Marathon Paper Mills Company and the other corporations preceding it, which were described by him in his testimony yesterday. I was here yesterday when Mr. Gaylord testified. Just before taking the stand, I re-examined the report that I had made and filed with the Bureau of Internal Revenue covering my examination of these stock transactions. I have before me what is referred to in that report as Exhibit A, which has been detached from it for the purpose of this testimony at this time. This Exhibit A consists of two pages. The first page starts with the transactions of the Menasha Carton Company from its inception in April of 1912, and culminating in August of 1917 at the time the Mena-

(Testimony of Joseph A. Field.)

sha Printing and Carton Company was organized to take over the Menasha Carton Company and the Menasha Printing Company. The first portion of the schedule under the heading "Menasha Carton Company" shows the stock purchases of Mr. Gaylord during the five year period preceding the consolidation, at which time he had purchased 337 shares at a cost of \$34,436.50. Some of these figures were obtained from an information report prepared by the Milwaukee Division at the request of the Securities Section in Washington, upon a request from the Los Angeles office. At the time the consolidation took place, Mr. Gaylord received both preferred and common stock of the Menasha Printing and Carton Company for his Menasha Carton Company stock. The cost of the stock, as he had paid \$34,436.50, was allocated to the preferred and the common on the relative par value of the two stocks, so that for the 190 shares of preferred there was allocated \$10,468.70, [360] and to the 435 shares of common there was allocated \$23,967.80. Following this one exchange there were numerous purchases and sales up to and including 1927, at which time the stock was transferred or exchanged for Marathon Paper Mills Company stock. The second sheet of the exhibit deals with the stock of Marathon Paper Mills, as it had been received for that of the Menasha Products Company. The basis used here is on a formula furnished by the Internal Revenue Bureau in Washington, giving the allocation between the stock and

(Testimony of Joseph A. Field.)

the bonds. The allocation as here made and as used here, I believe was made back in the year 1928, and on that allocation between the bonds and the stock there is no difference of opinion. We used the same as the taxpayer. After the exchange, all of the bonds were sold by the year 1934, the biggest block of them being sold in 1928. The stock was sold from 1927 until the final sale in 1939. I believe that covers it.

My tabulation reaches a final result of \$2.83 and a fraction a share.

Q. Now, the tabulation of the taxpayer is—\$8.41 is it?

Mr. Dockweiler: \$8.21.

By Mr. Coon:

Q. \$8.21 a share. Now, will you point out to his Honor just by what method you diverged from the method of the taxpayer to get this \$2.83?

A. Would it be possible for me to see one of the income tax returns to refresh my memory—of Mr. Gaylord's? 1937 will be sufficient. The schedules in all four returns are the same. [361]

Q. Do you intend to indicate or are you indicating in any way by your statement in reference to the 1937 return that you used data and figures of Mr. Gaylord's in the 1937 return?

A. Only as to the number of shares of stock sold.

My investigation had to deal with the revising of the basic cost, and I am just referring to this

(Testimony of Joseph A. Field.)

to refresh my memory as to the basis used, and how it was arrived at. In the income tax returns for these four years there was included on the return as the first item a March 1, 1913 value of \$350,000. At this point Mr. Gaylord had only invested \$9,950. Most of the stock in the total number of shares of 337 was purchased subsequent to March 1, 1913. The valuation of \$350,000 is a figure supposed to represent a valuation for his cost of \$34,436.50. At the time of the consolidation Mr. Gaylord invested \$152,161.11, which he added to the \$350,000, giving a valuation of \$502,000 as a total cost of the stock.

Mr. Dockweiler: You mean \$502,500?

The Witness: Yes. That is in round figures. In my report I made no reference to a fair market value of the stock upon advice from Washington that same did not have a valuation above cost. The \$152,000 that was invested in 1917, of course, could not be in dispute. The only valuation was on the stock that he had purchased prior to the consolidation. The preferred stock that was received in the exchange was retired within a very few years, and Mr. Gaylord had reduced his total valuation of \$502,500 by \$20,000, or the amount he received for the preferred stock. The balance was allocated between the bonds and [362] the stock of the Marathon Paper Mills when that exchange was made. In so doing a valuation, a final valuation of \$8.21 per share was arrived at through various stock

(Testimony of Joseph A. Field.)

dividends and a four for one split in the year of 1929.

By Mr. Coon:

Q. Arrived at by Mr. Gaylord, you mean?

A. That is right. My computations came down to a valuation of \$2.8367 per share for the stock that was held as of January 1, 1936.

Q. Now, by way of summation, would you just point out, Mr. Field, what particular modus of yours produced that valuation of \$2.83, distinguishing your process from Mr. Gaylord's? In other words, tell his Honor just how you got the \$2.83 instead of \$8.21.

A. The major difference is in that Mr. Gaylord used a valuation of \$350,000 for stock that I used a valuation on of \$34,436.50.

Q. Well, do you know why Mr. Gaylord used that larger figure?

A. That was used as an apparent fair market value, supposedly, as of the date of the consolidation. However, his return showed March 1, 1913, the beginning of the income tax law. That date I believe they would concede as being in error for a valuation at that time, inasmuch as most of his stock was acquired after that date. Then there is a second difference. In the testimony yesterday was produced a note in the sum of \$152,161.11. From the information on the note it might be [363] supposed that that note was to pay for 1,525 shares of stock purchased from Mr. Clinedinst, and, as

(Testimony of Joseph A. Field.)

such, was used in my report. The basic stock of 435 shares of the Menasha Printing and Carton Company, when it was exchanged for Marathon Paper Mills, had a final sum of 713 shares, due to various purchases, sales and a 100 per cent stock dividend. This 713 shares was all sold in the year 1927, so the basic cost of \$2,836.70 culminates from the purchase that I have recorded here of 1,525 shares for \$152,161.11. Through various stock dividends and a four for one split, it finally culminated in 13,412 shares as of January 1, 1936.

Mr. Coon: That is all on direct examination.

Cross Examination

By Mr. Dockweiler:

Q. Mr. Field, in a discussion in court yesterday mention was made of the fact that this 1917 reorganization would have been a taxable reorganization, although the taxpayer at the time did not so regard it. But we were speaking of that. If that were a taxable reorganization in 1917, then wouldn't the basis of the stock properly have been, that is, the basis of what Mr. Gaylord contributed to that reorganization, the value then of the carton company stock, the Menasha Carton Company stock, which was owned by Mr. Gaylord, that is, owned half by Mr. Gaylord, and his partner was also associated with him in that business?

A. Yes.

Q. You remember that Mr. Clinedinst owned the Printing Company entirely? [364]

(Testimony of Joseph A. Field.)

A. Yes.

Q. And Mr. Gaylord and Mr. Clinedinst owned and operated the Carton Company? A. Yes.

Q. And Mr. Gaylord and Mr. Clinedinst contributed their holdings in the Carton Company with Mr. Clinedinst's interest in the printing company to the new Carton and Printing Company?

A. That is correct.

The Judge: You appreciate that that is a question of law, don't you?

Mr. Dockweiler: I am trying to find out why it was ignored in the figures, your Honor.

By Mr. Dockweiler:

Q. Why was the actual value of the stock of Mr. Gaylord in the Carton Company ignored and merely the amounts of the moneys he had originally paid for it used?

Mr. Coon: I object to the witness answering that question. I think that is something the Court will have to pass on.

The Judge: I don't think it makes any difference whether he answers it or not. He is put on here to testify what he did, and he says that he used cost. Mr. Gaylord used value, and that shows what each one did, and as to whether one is right and the other is wrong is a question of law.

Mr. Dockweiler: I amdit that, your Honor.

The Judge: It seems so to me. I don't want to cut you [365] off from any proper cross examination of this witness, but so far as I can see it just

(Testimony of Joseph A. Field.)

wouldn't amount to anything, because, after all, I would have to determine that myself.

Mr. Dockweiler: I think the point is sufficiently clear that this factor of value was ignored by the witness and only the cash contributions of Mr. Gaylord were considered.

The Judge: This testimony here does bring to the fore the question I had in mind yesterday. And I should like to be clear on one point about it. I was noting, and one of the things that puzzled me yesterday at the time I was asking questions was the statement there of \$350,000 as the fair market value as of March 1, 1913, and I couldn't tie all those things together. I couldn't understand where we were headed. Now I have heard some testimony here suggesting that this witness was of the view that that \$350,000 was the fair market value of the stock given up in the 1917 transaction, and was therefore regarded as the cost by this taxpayer of the Carton and Printing Company stock. So if there is that discrepancy in the computation of the petitioner, and that figure of \$350,000 doesn't represent fair market value as of March 1, 1913, as your Exhibit F indicates, to which Mr. Gaylord testified, it seems to me that you have got to get it in the record and clear it up, perhaps by the parties agreeing.

By Mr. Dockweiler:

Q. Now, in your figures, that is, referring to the first sheet of this exhibit you have before you—

(Testimony of Joseph A. Field.)

A. Yes, sir. [366]

Q. —I notice that after the Menasha Carton Company block, coming down to the Menasha Printing and Carton Company block—

A. Yes.

Q. —the first figures are 8-15-17, and then there is a minus 337, and then a minus \$34,436.50. Then following the shares of preferred, 190 acquired, the amount of \$10,468.70, and the common, 435 shares, \$23,967.80. Then over in the column headed "Menasha Printing and Carton Company purchased stock," the common shares, 1,525, and in the line just below that and after the date 8-30-17; that shows purchased 1,525 shares and the amount of \$152,161.11. I take it, then, in arriving at those figures you did not consider the contention that taxpayer has always made that those 1,525 shares plus the amount or the value which you show of \$152,161.11, or, rather, the figure of \$152,161.11 were all a part of the same reorganization transaction?

A. I considered them as two separate transactions.

Q. That is the point I want to bring out. The Government in arriving at those figures did consider the item that you have labeled "Exchange", the item dated 8-15-17, and the item that you have labeled, "Purchased," 8-30-17, as two separate transactions and not as a part of the one transaction of the reorganization of the Menasha Carton

(Testimony of Joseph A. Field.)

Company and the Menasha Printing Company into the Menasha Printing and Carton Company?

A. That is right. [367]

Q. Is that correct?

Mr. Coon: That is correct, your Honor.

Mr. Dockweiler: I want to bring that out, your Honor, because of the difference in the testimony between Mr. Gaylord and what the Government's contention is in this computation shown on the first page of the exhibit which you have before you, and I think we ought to have that identified as Respondent's Exhibit U.

Mr. Coon: The one the witness has now?

Mr. Dockweiler: Yes.

Mr. Coon: Yes, I intended to ascertain the right number, and if it is "U", I will offer it.

The Judge: "U" is the next exhibit. Do you want to offer it?

Mr. Coon: I will offer it now, your Honor, as Respondent's Exhibit U.

The Judge: Any objection?

Mr. Dockweiler: As showing the method of computation only?

The Judge: That is the understanding.

Mr. Coon: Yes.

Mr. Dockweiler: No objection.

The Judge: It will be marked in evidence as Respondent's Exhibit U.

(The said computation so offered and received in evidence was marked Respondent's Exhibit U, and made a part of this record.)

(Testimony of Joseph A. Field.)

By Mr. Dockweiler:

Q. The exhibit I have heretofore referred to while you have been on the stand, Mr. Field, has been this Exhibit U? A. Right.

Q. Now, in this Exhibit U, the figures indicate, do they not, that you considered that the 1,525 shares shown in the last column on the right hand side of the page under the heading "Manasha Printing and Carton Company" were purchased with the note for \$152,161.11——

A. Yes.

Q. ——that you also testified to? A. Yes.

Q. And, again, that it was not a transaction that was a part and parcel of and intimately involved with the whole arrangement for the reorganization of those two companies, the Printing Company and the Carton Company?

A. That is right. It was considered as separate transactions.

Mr. Dockweiler: That is all.

Mr. Coon: That is all, your Honor.

The Judge: You are excused.

(Witness Excused.)

Mr. Coon: Respondent rests.

Mr. Dockweiler: Your Honor, I propose as a stipulation that the date shown on Exhibit F, March 1, 1913, as the date of the evaluation of Mr. Gaylord's interest in the Menasha Carton Company be July 1, 1917. That date is manifestly in error, and [369] the values that were testified

to yesterday are the values as of July 1, 1917 and not March 1, 1913.

The Judge: That is Exhibit F to the petition?

Mr. Dockweiler: Yes. I don't know how we overlooked that in all of the months, in fact, all of the years, I should say, since this controversy arose.

The Judge: I couldn't understand it yesterday. That is the reason I was inquiring.

Mr. Dockweiler: Mr. Gaylord, that value of \$350,000 was the value of your interest in the Carton Company, the Menasha Carton Company, as of July 1, 1917?

Mr. Gaylord: Yes, it was, as figured by us.

Mr. Dockweiler: Is that satisfactory to the Government, as coming up in that manner?

Mr. Coon: Yes, your Honor.

Mr. Dockweiler: Because it is obviously an error.

Mr. Coon: The respondent agrees that the petitioner has erroneously used the date March 1, 1913 instead of July 1, 1917.

The Judge: Do you admit that it was the value on March 1, 1913—not March 1, 1913, but July 1, 1917?

Mr. Coon: No, we don't your Honor. That is where we diverge. We just agree that there has been that mistake as to the date.

The Judge: I just wanted to make sure about how far this goes.

Mr. Dockweiler: Mr. Gaylord, will you take the stand again, please? I will ask the question

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George S. Gaylord

1936, 1937, 1938 and 1939

IN THE TAX COURT OF THE U. S.
 DIV. 8 LOCAL 15 10/11/39
 APR 3 - 1943
 PETITIONER'S EXHIBIT 11
 RESPONDENT'S

Exhibit A
 Computation of Basis of Marathon Paper Mill Co.
 Stock as of January 1, 1936

Date		Menasha Carton Co.		Menasha Printing & Carton Co. received in exchange for Menasha Carton Co.		Menasha Printing & Carton Co. Purchased Stock	
		Shares	Amount	Preferred	Common	Shares	Common
				Amount	Amount		Amount
4-16-12 to							
1-16-14	Purchased	97-1/2	9,950.00				
1-16-14	"	20	2,000.00				
10-20-14	"	94-1/2	9,450.00				
4-8-15	"	18	1,800.00				
3-31-16	"	100	15,000.00				
7-1-17	"	5	1,236.50				
Total		337	34,436.50				
8-15-17	Exchange	- 337	- 34,436.50	190	10,468.70	435	23,967.80
8-30-17	Purchased					1,525	152,161.11
9-30-20 to	Preferred			- 190	- 10,468.70		
2-30-21	Retired						
2-2-21	Sold						
2-2-21	"						
1-22-23	Purchased						
1-23-23 to	Presumably						
1-2-25	sold						
1-2-25	100% Stock Dividend					1,525	
10-5-25	Sold						
4-1-26	"						
"	"						
"	"						
"	"						
"	"						
"	"						
"	"						
"	"						
8-30-26	"						
8-24-27	Purchased					20	997.78
						25	1,247.22
Total						352	9,642.22
						352	9,642.22
						3,005	119,916.11

On 10-31-27 Menasha Printing & Carton Co. merged with Marathon Paper Mills Company. As of this date taxpayer held 3,357 shares Menasha Printing & Carton Co. stock for which he was to receive:

6,795 shares Marathon stock valued @ \$130.30 per share, or	885,388.50	46.03%	713	4,138.60	6,082	69,010.88
\$1,038,000 Bonds at par	1,038,000.00	53.96%	108,840.00	5,203.62	929,160.00	80,905.23
	1,923,388.50	100.00%				

George S. Gaylord

1936, 1937, 1938 and 1939

Exhibit A (continued)
Computation of Basis of Marathon Paper Mills Co.
Stock as of January 1, 1936

Marathon Paper Mills Company Stock		Marathon Stock	
Received in exchange for Menasha Printing & Carton Co.		Shares	Amount
Applicable to stock purchased prior to 8-15-17		Purchased	
Applicable to stock purchased 8-30-17 from S. H. Cline		Shares	Amount
Date	Amount	Shares	Amount
10-31-27	713	6,082	69,010.88
10-31-27	4,438.60		
10-31-27	- 700		
10-31-27	- 4,357.67		
12-2-29	- 13	54	612.72
4-to-1 Stock split up		18,084	
2-9-32	Gift to Gertrude H. Gaylord	- 5,000	- 14,183.42
1-13-33	Purchased	- 350	- 992.84
11-12-35	Sold	- 350	- 992.84
11-20-35			
11-7-35	Gift to Gaylord Trust	- 5,000	- 14,183.42
	Balance	13,412	38,045.64
	Price per Share	64	\$2.8367
		100	1,700.00
		100	1,700.00
			17.00

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as to value of his interest as an owner at this time. [370]

GEORGE S. GAYLORD.

recalled as a witness by and on behalf of the petitioners, having been previously duly sworn, was examined and testified as follows:

Direct Examination

By Mr. Dockweiler:

The Witness: This reorganization of the Menasha Carton Company and the Menasha Printing Company, to which I testified yesterday, into the Menasha Printing and Carton Company was made as of July 1, 1917. There was a period of some days and weeks before the thing was completed and it was made as of July 1, 1917.

Q. What was the value, the fair market value at that time of your interest, your stock interest, in the Menasha Carton Company, which you contributed to the reorganization?

Mr. Coon: Just a minute before you answer. I object to the witness answering, your Honor, on account of the fact his testimony as to the value as of that date is incompetent and immaterial.

The Judge: The objection will be overruled. You may answer.

The Witness: We figured it at \$350,000 as of July 1, 1917.

(Testimony of George S. Gaylord.)

By Mr. Dockweiler:

Q. That, in your opinion, was the fair market value at that time?

A. Yes, as figured in Exhibit F of our petition. [371]

Q. Well, I mean, as of July 1, 1917, that, in your opinion, was the fair market value of your stock interest——

A. It was.

Q. ——in the Carton Company?

A. It was.

Mr. Dockweiler: That is all.

The Judge: Just a minute. Any questions?

Cross Examination

By Mr. Coon:

Q. Mr. Gaylord, do you recall whether or not several years ago in Milwaukee the question came up in the office of the Revenue Agent there as to the value of the 337 shares of capital stock of the Menasha Carton Company that we have been discussing?

A. No, I never had a conversation in Milwaukee with any Federal Income Tax agent.

Q. I have here what purports to be a copy of a statement made by you on the 30th day of August, 1917, at Manasha, Wisconsin, and for the purpose of refreshing your memory, I will read it.

Mr. Dockweiler: That date is the 30th day of August, 1917?

Mr. Coon: The 30th day of August, 1917.

(Testimony of George S. Gaylord.)

By Mr. Coon:

Q. This reads, "I, George S. Gaylord, of Neenah, Wisconsin,"—is that the way you pronounce it? A. Neenah.

Q. (Continuing): ——"owner of 337 shares of the capital [372] stock of the Menasha Carton Company do hereby elect that my share of the purchase price or sale of the properties, accounts, control and business of said Menasha Carton Company to the Menasha Printing and Carton Company be paid to me by application of the amount of my share, estimated at about \$86,338.89, on shares of capital stock of the Menasha Printing and Carton Company subscribed for and to be issued to me by said company to the amount of \$45,338.89, and request that the amount aforesaid be charged to my account as such stockholder, and the balance thereof, the sum of \$41,000 be held to my credit and applied as directed on purchase price of bonds of the Menasha Printing and Carton Company when issued."

A. I don't doubt—

Q. There is a little more to it:

"And I hereby acknowledge that I have received of the Menasha Carton Company the sum of \$86,338.89 to be applied in payment of the share of such purchase price in the assets of said Menasha Carton Company, belonging to me as a stockholder of said company, and the share to be distributed to the shares of capital stock owned by me in such corporation.

(Testimony of George S. Gaylord.)

“Dated, Menasha, Wisconsin, this 30th day of August, 1917.

“Signed, G. S. Gaylord.”

A. Yes. Well, I don't doubt that is true. I don't recollect it at all. It sounds to me like a formal application to the Wisconsin authorities for the issuance of stock, but it merely reiterates what already appears in our own exhibit, merely [373] checking the amounts as appeared in our books, which had nothing to do with value.

Mr. Coon: I believe that is all.

Redirect Examination

By Mr. Dockweiler:

Q. Do I understand that those amounts, as you testified yesterday, were the book or appraisal value of the assets on the books, exclusive of earning power and exclusive of good will?

A. They were, exactly.

Mr. Dockweiler: That is all.

Mr. Coon: No further questions.

The Judge: You are excused.

(Witness Excused.)

Mr. Dockweiler: We rest, your Honor.

The Judge: Anything further?

Mr. Coon: Respondent rests, your Honor.

The Judge: Then the case will stand submitted upon the filing of briefs.

Hearing Concluded.

Petitioners' Exhibits Nos. 1 to 6, inclusive, referred to in the foregoing Statement of Evidence

and Respondents' Exhibits Nos. A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T and U, referred to in said Statement of Evidence, are transmitted herewith and made a part of this Statement of Evidence as if fully set forth herein. Said petitioners, George S. Gaylord and Gertrude H. Gaylord, tender and present the foregoing as [374] their Statement of Evidence in these causes and pray that the same may be approved by The Tax Court of the United States and made a part of the record in said causes.

THOMAS A. J. DOCKWEILER
whose post office address is 1035 I. N. Van Nuys
Building, 210 West Seventh Street, Los Angeles 14, California.

JAMES W. BONTEMS, C.P.A.
whose post office address is 215 West Sixth Street,
Los Angeles 14, California.

Attorneys for said petitioners George S. Gaylord
and Gertrude H. Gaylord.

Personal service of a copy of the foregoing Statement of Evidence is hereby acknowledged this 13th day of November, 1944. Agreed to:

J. P. WENCHEL,

Chief Counsel, Bureau of
Internal Revenue;

B. H. NEBLETT,

Division Counsel, Bureau of
Internal Revenue;

HAROLD D. THOMAS,

EARL C. CROUTER and

B. M. COON,

Special Attorneys, Bureau of
Internal Revenue.

By J. P. WENCHEL

CAR

Attorneys for said Commis-
sioner. [375]

ORDER APPROVING STATEMENT OF EVIDENCE

The foregoing statement of evidence is hereby approved and settled this day of November, 1944.

.....

Judge of the United States Court of Tax Appeals.

[Endorsed]: T.C.U.S. Filed Nov. 13, 1944. [376]

The Tax Court of the United States

Docket No. 109138

GEORGE S. GAYLORD,

Petitioner,

v.

COMMISSIONER OF INTERNAL REVENUE,

Respondent.

Docket No. 109273

GERTRUDE H. GAYLORD,

Petitioner,

v.

COMMISSIONER OF INTERNAL REVENUE,

Respondent.

STIPULATION

It is hereby stipulated and agreed by the undersigned attorneys of record for the petitioners and the respondent in the above-entitled cases that Exhibit B of the petitions in each of said cases, which purports to be a copy of the original Declaration of Trust, dated November 7, 1935, which was introduced at the trial as Petitioner's Exhibit 1, contains two errors in copying, which should be corrected as follows:

Line 12, par. 13, of said Exhibit B of the petitions which reads, "The Northern Trust Company, of Chicago, Illinois," should have added thereto the

word "and", which was inadvertently X'd out of the copy. [542]

The last line of page 13 of said Exhibit B, which reads, "bond or bonds of other security whatever shall ever be" should read, in order to correctly conform to the original document, "bond or bonds or other security whatever shall ever be".

In view of the agreement between counsel that the said Exhibits B and C of the petitions shall be substituted in evidence for said Exhibits 1 and 4, the Court is requested to make the above indicated corrections.

It is further stipulated that the said Exhibit C of the petitions is a true and correct copy of the original document introduced in evidence as Exhibit 4.

(Signed) THOMAS A. J. DOCKWEILER

(Signed) JAMES W. BONTEMS

(Signed) By THOMAS A. J. DOCKWEILER
Counsel for Petitioners.

(Signed) J. P. WENCHEL ECC

Chief Counsel, Bureau of
Internal Revenue.

Counsel for Respondent.

[Endorsed]: T.C.U.S. Filed Apr. 12, 1943.

[543]

In the United States Circuit Court of Appeals
for the Ninth Circuit

The Tax Court of the United States

Docket No. 109138

GEORGE S. GAYLORD,

Petitioner,

vs.

COMMISSIONER OF INTERNAL REVENUE,

Respondent.

The Tax Court of the United States

Docket No. 109273

GERTRUDE H. GAYLORD,

Petitioner,

vs.

COMMISSIONER OF INTERNAL REVENUE,

Respondent.

PRAECIPE FOR THE RECORD

To the Clerk of the Tax Court of the United States:

You are hereby requested to prepare, certify and transmit to the Clerk of the United States Circuit Court of Appeals for the Ninth Circuit, with reference to the petitions for review of the above named petitioners George S. Gaylord and Gertrude H. Gaylord heretofore filed by them in

the above entitled and referred to causes, within forty (40) days from the filing of said petitions, a typewritten copy of the record on review in said above entitled and referred to causes, all as required by law and the rules of said court, and to include [544] in the transcript of said record so to be prepared, certified and transmitted the following documents and records or certified copies thereof, to-wit:

(1) The docket entries of all proceedings before or in the United States Board of Tax Appeals and/or The Tax Court of the United States in each of said above causes, Docket Nos. 109138 and 109273;

(2) Petition of said petitioner George S. Gaylord, including Exhibits A, B, C, D, E, F, G and H thereto;

(3) Answer of the respondent commissioner to said petition;

(4) Petition of said petitioner Gertrude H. Gaylord, including Exhibits A, B, C, D, E, F, G and H thereto;

(5) Answer of the respondent commissioner thereto;

(6) Findings of Fact and opinion of the Tax Court of the United States in said two causes, Docket Nos. 109138 and 109273, promulgated February 18, 1944;

(7) Said petitioners' Motion For Reconsideration By The Tax Court Of The United States Of Its Decision Promulgated February 18, 1944, In

The Above Entitled And Referred To Proceedings Determining (1) That The Income For The Years 1936 Through 1939 Of The Trust Involved In Said Proceedings Was Taxable To The Above Named Petitioners And (2) That The Basis For Computing Gain On Certain Corporate Stock Sold By Said Petitioners And Said Trust During The Years 1936 Through 1939 Was Not \$8.21 Per Share filed with the clerk of said court March 17, 1944;
[545]

(8) Order of said court denying said motion;

(9) Respondent's Computation For Entry Of Decision in said cause No. 109273, filed with the clerk of said court May 17, 1944;

(10) Respondent's Revised Computation For Entry Of Decision in said cause No. 109138, filed with the clerk of said court July 13, 1944;

(11) Decision of said court entered in said cause No. 109273 July 14, 1944;

(12) Decision of said court entered in said cause No. 109138 August 4, 1944;

(13) Said petitioner George S. Gaylord's Petition For Review Of Decision Of The Tax Court Of The United States in said cause No. 109138, filed with the clerk of said court October 11, 1944;

(14) Notice of filing of said petition and admission by the attorneys for said respondent of service of copy of said petition and of said notice, filed with the clerk of said court October 11, 1944;

(15) Said petitioner Gertrude H. Gaylord's Petition For Review Of Decision Of The Tax

Court Of The United States, filed with the clerk of said court October 11, 1944;

(16) Notice of filing of said petition and admission by the attorneys for said respondent of service of copy of said petition and of said notice, filed with the clerk of said court October 11, 1944;

(17) Statement Of Evidence, including petitioners' [546] exhibits Nos. 2, 3, 5 and 6 and respondent's exhibits Nos A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T and U referred to therein;

(18) Stipulation between counsel for said petitioners and counsel for said respondent regarding Exhibits B and C to the petitions to the Board of Tax Appeals of said petitioners, which exhibits were substituted in evidence for petitioners' Exhibits 1 and 4;

(19) Any and all orders of enlargement or extension of time for the preparation, certification, transmission and delivery of the records on said reviews; and not included in record

(20) This praecipe or designation of record and the admission of service thereof.

.....
/s/ (Thomas A. J. Dockweiler)
whose post office address is
1035 L. N. Van Nuys Building
210 West Seventh Street
Los Angeles 14, California

.....
/s/ (James W. Bontems, C.P.A.)
whose post office address is
215 West Sixth Street
Los Angeles 14, California
Attorneys for said petitioners
George S. Gaylord and Gertrude H. Gaylord. [547]

Personal service of a copy of the foregoing Praecipe For The Record is hereby acknowledged this 13th day of November, 1944. Agreed to:

J. P. WENCHEL,
Chief Counsel,
Bureau of Internal Revenue;
B. H. NEBLETT,
Division Counsel
Bureau of Internal Revenue;
HAROLD D. THOMAS,
EARL C. CROUTER and
B. M. COON,
Special Attorneys,
Bureau of Internal Revenue.

By J. P. WENCHEL (C.A.R.)
Attorneys for said Commis-
sioner. [548]

[Endorsed]: T.C.U.S. Filed Nov. 13, 1944.

The Tax Court of the United States
Washington

Docket No. 109138

GEORGE S. GAYLORD,

Petitioner,

v.

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

Docket No. 109273

GERTRUDE H. GAYLORD,

Petitioner,

v.

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

CERTIFICATE

I, B. D. Gamble, Clerk of The Tax Court of the United States do hereby certify that the foregoing pages 1 to 548, inclusive, contain and are a true copy of the transcript of record, papers, and proceedings on file and of record in my office as called for by the Praecipe in the appeal (or appeals) as above numbered and entitled.

In testimony whereof, I hereunto set my hand and affix the seal of The Tax Court of the United States, at Washington, in the District of Columbia, this 23d day of November, 1944.

(Seal)

B. D. GAMBLE

Clerk,

The Tax Court of the United
States.

[Endorsed]: No. 10936. United States Circuit Court of Appeals for the Ninth Circuit. George S. Gaylord, Petitioner, vs. Commissioner of Internal Revenue, Respondent. Gertrude H. Gaylord, Petitioner, vs. Commissioner of Internal Revenue, Respondent. Transcript of the Record. Upon Petitions to Review a Decision of The Tax Court of the United States.

Filed November 29, 1944.

PAUL P. O'BRIEN

Clerk of the United States Circuit Court of Appeals
for the Ninth Circuit.

In The United States Circuit Court of Appeals
For The Ninth Circuit

Docket No. 10936

GEORGE S. GAYLORD,

Petitioner,

vs.

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

GERTRUDE H. GAYLORD,

Petitioner,

vs.

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

ADOPTION OF ASSIGNMENTS OF ERROR
INCLUDED IN PETITIONS FOR RE-
VIEW WITHIN TRANSCRIPT OF REC-
ORD AND DESIGNATION FOR PRINT-
ING ENTIRE TRANSCRIPT

To The Honorable Justices of the United States
Circuit Court of Appeals for the Ninth Circuit:

The above named petitioners George S. Gaylord and Gertrude H. Gaylord, by and through their undersigned attorney Thomas A. J. Dockweiler, do hereby adopt as their points on appeal the assignments of error included in the petitions for review of said petitioners within the transcript of record

in the above entitled causes heretofore filed with the clerk of said Circuit Court and said petitioners desire the record as certified to said clerk to be printed in its entirety and so designate for printing the entire transcript.

Dated this 2nd day of December, 1944.

THOMAS A. J. DOCKWEILER

Attorney for said petitioners,
George S. Gaylord and
Gertrude H. Gaylord.

Personal service of the foregoing Adoption of Assignments of Error Included in Petitions for Review Within Transcript of Record and Designation for Printing Entire Transcript is hereby acknowledged this 4th day of December, 1944.

J. P. WENCHEL,

Chief Counsel, Bureau of
Internal Revenue;

B. H. NEBLETT,

Division Counsel Bureau of
Internal Revenue;

HAROLD D. THOMAS and

B. M. COON,

Special Attorneys, Bureau of
Internal Revenue.

By SAMUEL O. CLARK, JR.

Attorneys for said Commis-
sioner.

[Endorsed]: Filed Dec. 11, 1944. Paul P.
O'Brien, Clerk.

